

## Bonn, Irked by U.S., Shifts on NATO Plan

By Robert J. McCartery  
Washington Post Service

BONN — West Germany, irritated by U.S. pressure for an arms control agreement, is backing away from supporting a NATO plan to replace antiquated U.S. short-range nuclear missiles with modern versions, according to West German officials and political sources.

Instead of deploying updated models of the short-range Lance missile, senior West German officials suggested that the United States deploy new intermediate-range nuclear weapons based on submarines or ships off Europe's coast and improve the punch of European-based warplanes.

## U.S. Worried By Armor on Soviet Tanks

By Malcolm W. Browne  
New York Times Service

NEW YORK — Thanks to an Israeli invention appropriated by Moscow's weapons designers three years ago, many Soviet tanks have become virtually invulnerable to the anti-tank weapons carried by American infantry and aircraft, U.S. military officials report.

Challenging that conclusion, some critics say that the value of the invention, a kind of armor that explodes and deflects the blast of a shell, has been overstated. And a key question remains: Why has the United States not adopted the armor for its own tanks?

Several senior U.S. military officers say the new armor protects many Soviet tanks against the huge, costly arsenals of anti-tank missiles that NATO allies have relied on for two decades to blunt a Soviet armored thrust.

The explosive armor can be beaten, the officials say, but only with large guns capable of firing heavy projectiles that travel one mile (1.6 kilometers) per second. The latest U.S. and West European tanks carry such guns.

Soviet tanks would probably outnumber NATO tanks by more than six to one in a surprise attack, officials say.

Because Western commanders can no longer count on effective infantry weapons to bridge the numerical gap, the odds against the West in a nuclear war have lengthened appreciably, these officials assert.

Among those who regard the situation as serious is Major General Robert J. Sunell, the director of a U.S. Army task force organized to study the situation.

"The problem began," he said in an interview, "when the Syrians

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Senior military planners of the North Atlantic Treaty Organization also contend that such weapons should be deployed in coming years to maintain NATO's defense credibility if intermediate-range ground-based missiles are removed under the proposed U.S.-Soviet arms treaty.

Bonn's shift on the Lance, and the calls for increased reliance on offshore and airborne weapons, are the two most significant changes in NATO thinking on nuclear strategy to have resulted from the prospect that Washington and Moscow will agree to remove from Europe all their short- and intermediate-range missiles.

The developments reflect Bonn's feeling that its interests were sacrificed in NATO's internal debate in the spring over the proposed modern arms accord. Also reflected is a broader feeling among NATO military planners and West European conservative politicians that the treaty could weaken NATO's ability to deter a Soviet attack.

The Bonn government will resist deploying an updated version of the Lance, as agreed by NATO defense ministers in a 1983 meeting in Montebello, Canada. West German officials and political sources said. The government has not made a final decision on the project, they said, but sentiment has shifted strongly against it.

As part of an overall plan to reduce and modernize battlefield-range nuclear weapons in Europe, the ministers at Montebello agreed to replace NATO's 88 Lance missile launchers with an upgraded version. About two-thirds of the Lance missiles, which have a range of 70 miles (115 kilometers), are deployed in West Germany. The rest are in Belgium, Britain, Italy, and the Netherlands.

Bonn's new reservations are a result of the broadening of the planned U.S.-Soviet arms control agreement to include missiles with a range of 300 to 600 miles as well as missiles in the 600-to-3,500-mile range, the Bonn officials and political sources said.

West Germany resisted the

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## Cracks Appear in Seoul's Stony Wall of Police

By Fred Hiatt  
Washington Post Service

SEOUL — For weeks, they have formed a wall of defense around South Korea's regime: row upon row of immovable riot police, faces behind their black helmets, guns masks and shields.

In recent days, however, cracks have appeared in the wall, revealing tension in the ranks of what may be the world's most formidable nonmilitary fighting force.

On July 6, a 22-year-old riot policeman, who allegedly disobeyed an order was punched to death on a police bus by a senior officer, the authorities reported. Human rights

officials in Seoul said it was not the first instance of riot police being killed or tortured into suicide by superiors.

At 3:30 A.M. Wednesday, a 23-year-old riot policeman who was drafted into the force two years ago deserted his post and went to a church human rights office, saying he had come to protest government policy. Officials said it was the first such desertion.

Wednesday night, 70 to 80 policemen stormed the office looking for the dissident officer, a church worker said. But the man, Yang Seung Kyun, had slipped away minutes before.

Before he fled, Mr. Yang said in

an interview that many of his fellow officers have little stomach for fighting students who are their contemporaries.

"Soldiers are supposed to be serving the country and protecting the people," said Mr. Yang, who was drafted into the army and then transferred to the riot police. "Instead, we are the front lines of their repression."

On June 29, after weeks of battles between riot police and demonstrators, the government stunned Koreans by agreeing to most opposition demands, including direct presidential elections and release of political prisoners.

Mr. Yang said he had decided to

crowd was protesting a violation of church sanctuary last week when police entered the grounds seeking protesters.

desert before the announcement and carried out his plan because he did not believe the authorities were serious about democratization.

Mr. Yang's description of life in the combat police barracks, along with the sketchy tales of beatings and suicides, provides a rare inside glimpse of what outwardly seems a perfectly disciplined force.

Although demonstrations largely ceased when the government proposed reform, riot police were called into action at Yonsei University in Seoul almost every day last week. Yonsei students have been protesting the death of a classmate who

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## ANC, Afrikaner Liberals Cite Accord, But They Differ on the Use of Violence

Compiled by Our Staff From Dispatches

DAKAR, Senegal — Liberal white Afrikaners and black leaders of the African National Congress ended three days of talks here Sunday, saying they had a shared commitment to fight the apartheid system but that they differed sharply over the use of violence against the South African government.

The meeting, which brought together more than 50 South African

whites and 17 leaders of the African National Congress, was the largest of its kind.

The ANC, founded in 1912, has waged a low-level guerrilla war against white minority rule in Pretoria since the group was outlawed by South Africa in 1960.

The visit was criticized strongly by some far-right groups in South Africa and by the state-run radio, but the government in Pretoria made no official comment about the visit.

In a joint statement after the meeting, the two groups said: "The main areas of concern arose over the ANC's resolve to maintain and intensify the armed struggle."

The statement noted "a shared commitment towards the removal of the apartheid system and the building of a united South Africa."

Two unidentified white delegates declined to sign the statement, saying it came too close to endorsing the rebel position.

Frederik van Zyl Slabbert, a former leader of the liberal opposition Progressive Federal Party, said there had been "an extraordinary meeting of minds on a number of important issues." He was a principal organizer of the meeting, along with Danielle Mitterrand, whose husband is the president of France.

"In some years, Vietnam hopes the Cambodians will need only advisers and teams of military experts but no troops," the diplomat said.

The diplomat said that Vietnam must draw lessons from its experience in Cambodia in the 1970s, when it created and aided a resistance army, the Khmer Rouge, that toppled a U.S.-backed government but then, opened hostilities with Vietnam.

He said that close links will remain. "Vietnam cannot leave Cambodia alone," he said. "There will be lasting connections."

The envoy emphasized Vietnam's readiness to negotiate for an earlier withdrawal of its 140,000 troops but warned against the belief that the new Vietnamese leadership of Nguyen Van Linh, the Communist party chief, will be more accommodating.

The diplomat said there was only a limited parallel between Soviet readiness for negotiations to withdraw troops from Afghanistan and Vietnam's stance on Cambodia. The difference, he said, is that Moscow does not view Afghanistan as vital for the Soviet Union. Hanoi deems Cambodia essential to its security, he said.

"Vietnam's new orientation is to strengthen its performance at home," the envoy said. "But if others harbor illusions that they can bleed Vietnam in Cambodia, they are wrong. If they create new diffi-

culties and businesses, rejected charges by rightist whites in South Africa that the meeting with the ANC was an act of treason. The whites who attended the meeting have been threatened by far-right groups in South Africa.

In the past, the South African government has confiscated the passports of people who have met with the ANC.

At the meeting, the two groups discussed what form a future black-majority government in South Africa might take.

"There was an acceptance on both sides that an economy of the future would be a mixed economy," Christo Nell, a white delegate, said at a news conference. "There was an acceptance of the need to enable people to operate freely in the pursuit of economic growth."

On the issue of whether "guarantees" would be made to whites if apartheid were ended, an ANC spokesman said it was "ironic" that "the victims have to give guarantees before the system of oppression can be displaced."

"The consequence of one man's vote must be accepted," he said.

Delegates at the meeting said the ANC made it clear that its campaign of sabotage and terrorism would continue until President Pieter W. Botha indicated a clear willingness to begin negotiations.

The whites are to fly on to Burkina Faso and Ghana before they return to South Africa on July 20.

(UPI, Reuters, AFP)

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included politicians, writers, academics and businessmen, rejected charges by rightist whites in South Africa that the meeting with the ANC was an act of treason. The whites who attended the meeting have been threatened by far-right groups in South Africa.

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The hills around town are dotted with two-story villas on large, landscaped lots, monuments to the American dream transplanted to the Middle East. The children wear American T-shirts and sneakers.

The shooting in Gallup in March 1986 shattered this tranquility.

At that time the Nassar brothers, angered by a dispute over Indian jewelry, accused the Abdellahis, who were on their way to a funeral. Witnesses said the Nassars smashed a window of the Abdellahis' car with clubs, at which point Suleiman Abdellahi jumped out. When the Nassars began beating him, his brother Frank shot and killed them both with a pistol.

After the decision dropping the charges, the brothers vanished, but the Abdellahis clan of the Nassars took its vengeance in Deir Dibwan.

The town's basic social unit is the hamouli, an Arabic term for clan. There are three main clans in Deir Dibwan.

For the Abdellahis, clan justice on behalf of the dead brothers, who left two widows and eight children, became imperative.

These conditions were met, but they were not

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## New Mexico Shooting Echoes on West Bank

By Glenn Frankel  
Washington Post Service

DEIR DIBWAN, Israeli-Occupied West Bank — When an Arab jewelry dealer shot to death two other merchants outside the El Ramada Motel in Gallup, New Mexico, last year, the gunfire echoed all the way to this small Palestinian town.

Both the killer, Frank Yazad Abdellahi, and his victims, two brothers named Said and Sami Nassar, came from Deir Dibwan, which over the years has dispatched hundreds of its native sons to America.

Mr. Abdellahi said he shot out of self-defense, and he was supported by witnesses. A New Mexico magistrate dismissed all charges, but back on the West Bank justice was neither so formal nor so forgiving.

The diplomat said there was only a limited parallel between Soviet readiness for negotiations to withdraw troops from Afghanistan and Vietnam's stance on Cambodia. The difference, he said, is that Moscow does not view Afghanistan as vital for the Soviet Union. Hanoi deems Cambodia essential to its security, he said.

"Vietnam's new orientation is to strengthen its performance at home," the envoy said. "But if others harbor illusions that they can bleed Vietnam in Cambodia, they are wrong. If they create new diffi-

manently, but many more go for 5 to 10 years to earn enough money to start a business upon their return, build a house and enjoy a better standard of living.

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See SHOOTING, Page 6

## Poindexter Note Says Reagan Was Told of Diversion

By Fred Farris  
International Herald Tribune

WASHINGTON — The chairman

of the Senate committee investigating the Iran-contra affair said

Sunday that investigators had

a "vitally important document" in

which Vice Admiral John M. Poindexter said "the president agreed" to divert profits from the secret sales of arms to Iran to pay for

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## Hawke, After 3d Victory, Vows To Continue Economic Course

By Michael Richardson  
*International Herald Tribune*

MELBOURNE — The government will press ahead with restructuring the Australian economy, Prime Minister Bob Hawke said Sunday, the day after his Labor Party won an unprecedented third term and apparently increased its legislative majority.

The Labor government won the national elections at the expense of a divided opposition from the two main conservative parties, the Liberal and National parties.

John Howard, head of the Liberals, the largest opposition group, and Ian Sinclair, leader of the National Party, are expected to face challenges to their positions soon within their parties.

The official count in Canberra late Sunday, with five seats undecided, gave Labor 82 of the 148 seats in the House of Representatives, the lower chamber of Australia's Federal Parliament. The Liberal and National parties had 61 seats; Labor had a majority of 16 in the old House.

Political analysts said fighting within the ranks of the opposition for much of this year contributed to the Labor victory.

Officials said the results may not be known for at least a week because a large number of absentees and mailed votes had to be counted. The outcome of voting for the Senate will probably take longer to determine.

Mr. Hawke, a former trade union leader, also led the Labor party to victory in 1983 and 1984. He called this year's election nine months before the end of his term, at a time when many Australians are experiencing a sharp fall in living standards and the effects of government austerity.

He said in a television interview Sunday that he would soon announce changes in his cabinet, although he did not expect any key economic portfolios to be involved.

In a speech July 6, Mr. Hawke said that if Labor were re-elected, it would restructure Australia's transportation system, increase manufactured exports, improve in-

ustrial relations and develop closer economic ties with fast-growing Asian neighbors, particularly China.

He said that unnecessary business regulations would be removed and no new taxes imposed.

Since 1983, Mr. Hawke and other pragmatists who dominate his ministry have largely abandoned the domestic and foreign policy commitments of the once powerful left in the Labor Party.

Analysts said that Mr. Hawke's government had moved Labor to the right in an effort to revive the Australian economy and capture the middle range of the electorate from the conservative opposition.

The Labor government, the analysts noted, had allowed the exchange rate for the Australian dol-

lar to float freely, had deregulated domestic interest rates, had opened the banking and financial sectors to foreign participation, and had begun selective denationalization of state-owned corporations and assets.

Shortly before Mr. Hawke called the election, a longstanding coalition between the Liberal and National parties at the federal level broke apart, largely because of pressure from Sir Job Bielek-Petersen, the National Party premier of the state of Queensland.

Sir Job demanded leadership and policy changes in both parties and ran his own candidates in the federal polls.

Mr. Howard of the Liberal Party said disunity had been a decisive factor in the opposition's defeat.

The Labor government, the analysts noted, had allowed the exchange rate for the Australian dol-



Prime Minister Bob Hawke of Australia with his wife, Hazel, and a granddaughter in Melbourne on Sunday, where he spoke to the press after he won his third term.

## U.S. Joined 1983 Plan to Lure Libya Into Air War

By Patrick E. Tyler  
*Washington Post Service*

CAIRO — Egypt was forced in 1983 by news disclosures in the United States to abort an attack on the Libyan Air Force after months of planning with Sudanese and U.S. intelligence services in a plan to trap Colonel Muammar Gadhafi, the Libyan leader, according to sources here and in Washington.

The joint operation, conceived and developed by Gafar Nimeiri, the former Sudanese president, and his security forces, was designed to lure Libya into invading Sudanese airspace so that Egypt, Sudan's northern neighbor, could quickly counterattack.

Sources familiar with the operation said senior officials in Washington, Cairo and Khartoum agreed to the plan, which they hoped would wipe out as much as a third of Colonel Gadhafi's air force and destabilize his weaker neighbors.

The plan called for Sudanese undercover agents, who had been acting as pro-Libyan revolutionary movement in Khartoum, to seek Libyan military intervention to topple the pro-Western government in Sudan.

Once Colonel Gadhafi sent his bombers into Sudanese airspace, Egypt's large air force, guided by U.S. AWACS surveillance planes and refueled, if necessary, by airborne U.S. tankers, was to launch a counterstrike against the Libyan force.

Although the operation was aborted after news disclosures about the movement to the Middle East of the Airborne Warning and Control System aircraft and the possible redeployment of an aircraft carrier task force, the covert deception and entrapment objectives of the 1983 episode have never before been revealed.

A White House spokesman, asked about the U.S. role in the operation, declined to comment. In Cairo, a spokesman for the Egyptian military command also would not comment. A spokesman for Mr. Nimeiri, who was deposed in 1985 and lives in Cairo, refused to discuss the operation.

In 1985 and 1986, the United States sent envoys on secret missions to Cairo to discuss whether Egypt might be willing to mount a military attack on Libya, but sources in Cairo and Washington said that the Egyptian leadership, especially President Hosni Mubarak, had cooled to the idea.

Sources said the effort against Colonel Gadhafi was one example of a joint U.S.-Egyptian military action that Mr. Mubarak

fears that Libya was about to begin an attack to overthrow the Sudanese government.

According to sources familiar with the operation, the planned attack on Libyan forces followed a "very sophisticated" deception operation initiated by the Sudanese intelligence service some months earlier.

As the operation developed, it was closely monitored and eventually joined and sup-

ported by the CIA and Egyptian military intelligence, the sources said.

Unwilling to be seen attacking another Arab state, Mr. Mubarak could justify an Egyptian counterstrike by waiting for Colonel Gadhafi to violate Sudan's airspace and then invoking a mutual defense pact that Egypt signed with Sudan in 1976.

The U.S. policy objective in supporting the planned strike, according to these sources, was to demonstrate to the Libyan leader that his attempts to subvert and intimidate his weaker neighbor in Africa would be met by force.

At the time, U.S. and Egyptian officials were worried that Libya, working independently or in concert with the Marxist regime in Ethiopia, might topple Mr. Nimeiri, threatening Egypt's southern flank and destabilizing Central Africa.

The 1983 attack was aborted when it was disclosed in Washington that the United States had sent AWACS planes to Egypt, and after ABC News reported U.S. military movements made in response to reported

portions of the CIA and Egyptian military intelligence, the sources said.

By the time it matured in early 1983, it was being directed by Egypt's defense minister, Field Marshal Abdel-Halim Abu Ghazala, and had the approval of Mr. Mubarak.

In Washington, the entrapment of Libya's leader and the attack on his forces if they moved against Sudan were approved by President Ronald Reagan on the weekend of Feb. 12 and 13 and were being directed from the White House by William P. Clark, then the national security adviser and his deputy, Robert C. McFarlane.

The operation, according to sources, began sometime in late 1982 when Sudan's intelligence service set up its own pro-Libyan revolutionary "cell" in Khartoum. This cell, all of whose members were agents of Sudan's secret service, contacted anti-government dissidents and gradually opened a channel of communication to Tripoli, sources said.

Mr. Mubarak in the past has urged the PLO to meet a key U.S. demand and decline its acceptance of UN Security Council resolution 242 that implicitly recognizes Israel's right to survival.

The Sudanese agents requested and received Tripoli's commitment to send its air force against the Khartoum government to force a quick capitulation by Mr. Nimeiri.

In the countdown to the operation, U.S. reconnaissance satellites and aircraft observed Colonel Gadhafi moving major elements of the Libyan Air Force to a large base at the Kufra oasis in southeastern Libya, the sources said.

U.S. officials offered to provide AWACS planes and as many KC-10 and KC-135 tanker aircraft as might be needed.

The operation was not its final countdown.

During the week of Feb. 14, when ABC News broadcast a report that the United States had moved the aircraft carrier Nimitz and three of its escorts from the coast of Lebanon to waters nearer Libya to discourage Colonel Gadhafi from "starting a war."

Sources said that the report not only signaled U.S. and Egyptian intentions to Colonel Gadhafi, but violated Mr. Mubarak's absolute condition that U.S. military support remain secret.

"The whole operation just kind of fell apart," a source said.

■ **PLO Is Told to Set Terms**

Mr. Mubarak urged the Palestine Liberation Organization on Saturday to work out a formula for its inclusion in an international conference on Middle East peace, United Press International reported from Cairo.

Returning from a trip to Geneva that included a meeting with Foreign Minister Shimon Peres of Israel, the Egyptian president said Saturday that "Our brothers in the PLO should define the method by means of which they can enter the conference. We are not imposing on them any particular formula."

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## WORLD BRIEFS

### U.S. Blocks a Shipment to Pakistan

PHILADELPHIA (AP) — A shipment of Pakistan was held without his notes on charges that he illegally tried to ship 50,000 metric tons (55,000 pounds) of steel to his home country.

Asif Z. Pervez, who said he was purchasing the material for a Pakistan brigadier general, was arrested Friday by U.S. Customs Service agents, authorities said. Mr. Pervez, a Canadian citizen, reportedly had the general wanted a shipment of 55,000 pounds of the steel, 350 every four months.

Federal officials said the shipment was probably intended for an unprotected facility in Pakistan, which is not part of the Non-Proliferation Treaty and is prohibited from receiving such items from the United States.

Israeli sources said they, too, had received strong indications that Israel-Syrian approach was under way, spurred by the Soviet Union's major arms supplier to both countries.

The Palestinian sources said the meeting was being arranged by King Hussein of Jordan in an attempt to end the Iran-Iraq war and the way for an Arab summit later this year. They said that Syria, one of the few Arab states that had joined the Gulf war, had been given substantial aid from Saudi Arabia to fight and that Gulf states had cooperated in trying to end the conflict through a pipeline that would open a pipeline through which free-cash money could be sent to both countries.

■ **Police Seize 150 Hindus in Hungary**

NEW DELHI (AP) — The police have arrested under their Hindu in Hungary state after a violent clash to the killing of Hindu by Sikh separatists last week, officials said Sunday.

Meanwhile, the police in neighboring Punjab state arrested 15 Hindus Sunday, including seven suspected of murdering a Catholic monk, four members of his family, three of whom were French, the Press Trust of India said.

Those arrested in Hungary included Mohammad Sharif, a brother of Environment Minister Sharif Sharif, and Mr. Sharif's wife, who was a member of the Hungarian National Council in Chittagong, joint capital of Punjab and Haryana. They were accused of sending Hindus to attack Sikh homes and shops during widespread rioting that followed the killing of 72 Hindus on Saturday.

■ **EC Ministers to Take Up Syrian Ties**

COPENHAGEN (AP) — European Community foreign ministers are expected to consider an easing of EC relations with Syria when they meet Monday in Copenhagen for foreign policy talks, EC officials said Sunday.

The EC banned high-level diplomatic contacts as part of sanctions imposed on Syria in 1982, but played a role in an unsuccessful plot to blow up an Israeli embassy in London. But several West European governments have been pushing for that the ban is hindering Middle East peace efforts.

British officials said the ban is over, but made it clear last month that it would not be lifted until other EC members wanted to renew contacts. In Rome, the AP reported Sunday that West European recently resumed communications with Syria. Aid was suspended in November after Syria participated in a raid in a bombing in West Berlin.

## TRAVEL UPDATE

### Door Opens on Romanian Airliner

STOCKHOLM (AP) — A Romanian charter airline with 171 passengers aboard made an emergency landing at Stockholm's Arlanda Airport after a door blew open following takeoff from the airport Saturday, the Swedish national news agency reported.

Airport officials said the Soviet-built TU-154 belonged to the airline Taron, and was destined for Constanta, Romania.

Passengers reported that some luggage had been lost when the door opened and that a Swedish steward and a Romanian steward were forced to crawl away to escape the draft of escaping air.

China is in negotiations to open a route that had been banned on the grounds that it was demanded as part of a drive to improve service to tourists, the People's Daily said. Travel companies, guides and other members of the service staff will be allowed to receive bonuses and tips.

Israeli civil service employees, railroad workers begin a 24-hour strike Sunday to protest the government's refusal to re-evaluate salaries. International air traffic at Ben Gurion airport in Tel Aviv was suspended for about eight hours, AFP said.

Stamps in Cyprus are to open Monday after a two-week strike but afternoon tourist exchange services will remain closed because of continuing bus and overtime, union officials said Sunday.

Twenty-three persons were injured when the express train from Barcelona to Cadiz, carrying 500 passengers, was derailed Sunday near Lloret de Mar, southern Spain, hospital sources said Sunday.

■ **This Week's Holidays**

Banking hours and government services will be closed or curtailed in the following countries and dependencies this week because of religious holidays.

MONDAY: France, Monaco, New Caledonia, Thailand.

TUESDAY: France, Italy, Monaco, New Caledonia.

FRIDAY: Iraq, Nicaragua, Puerto Rico, South Korea.

SATURDAY: Uruguay.

Source: Morgan Stanley Travel Co., London.

## Anti-Government Strike Paralyzes Bangladesh

DHAKA — A general strike on Sunday paralyzed Bangladesh for the third time in two months, forcing government ministers and members of the Parliament to sleep overnight in the assembly to attend a debate.

Banks, shops and businesses across the country were shut and roads were empty of trucks and buses. Hundreds of government employees had to walk to their offices.

"We did not organize even one picket line anywhere in the country and yet everything is at standstill today," said a trade union leader, Sharifuddin Manik.

The 23-hour strike, from 6 A.M. Sunday to 5 A.M. Monday, was called by trade unions to protest a power cut.

Auditors canceled all flights and Biman airline officials suspended foreign airbus operations by 24 hours, an airport spokesman said. Most flights were halted, although some flights were operating in the northern and southern areas.

Parliament resumed a budget debate after government ministers and members of the assembly left in the heavily armored chariot. That debate was on a bill that sought to include army personnel in the rural areas.

Opposition members claimed in protest that the assembly had rejected their demands for a general strike, rejected their demands for a general strike.

Opposition leaders demanded a general strike after the government rejected their demands for a general strike.

Most of the 15,000 goods given preferential tariff status under the group's existing Preferential Trade Arrangement are not supplied or needed in the region.

## Nyerere's Long Shadow Hangs Over Tanzania

### Continuing Influence of Revered Former Leader Slows the Pace of Reforms

By Blaine Harden  
*Washington Post Service*

DAR ES SALAAM, Tanzania — All of Africa and much of the world applauded him when Julius Nyerere, the George Washington of this vast East African country, voluntarily stepped down as president.

His retirement in November 1985 moved many of his countrymen to tears. The peaceful end to the presidency of an honest man — reverently called *Mwalimu*, which is Swahili for teacher — stood in noble contrast to the coups, murders and midnight escapes that have ended the careers of other African rulers.

Now, nearly two years after Mr. Nyerere's graceful exit, many Tanzanians are again feeling strong emotions. The cause, this time, is again Mr. Nyerere — not that he is gone, but that he is not gone.

When he retired as president, Mr. Nyerere retained the chairmanship of Tanzania's ruling party. Since the Revolutionary Party of Tanzania is "the supreme organ of the state," Mr. Nyerere remained powerful. But he vowed to give up the chairmanship after two years and retire to his "nice little house" in the village of his birth near Lake Victoria.

Since February, however, Mr. Nyerere has delivered several impassioned speeches that have created widespread doubt about whether he will keep his word.

Africa's most articulate spokesman for socialism again has been deriding the International Monetary Fund, whose "big capitalist powers" for trying to sabotage development in poor countries.

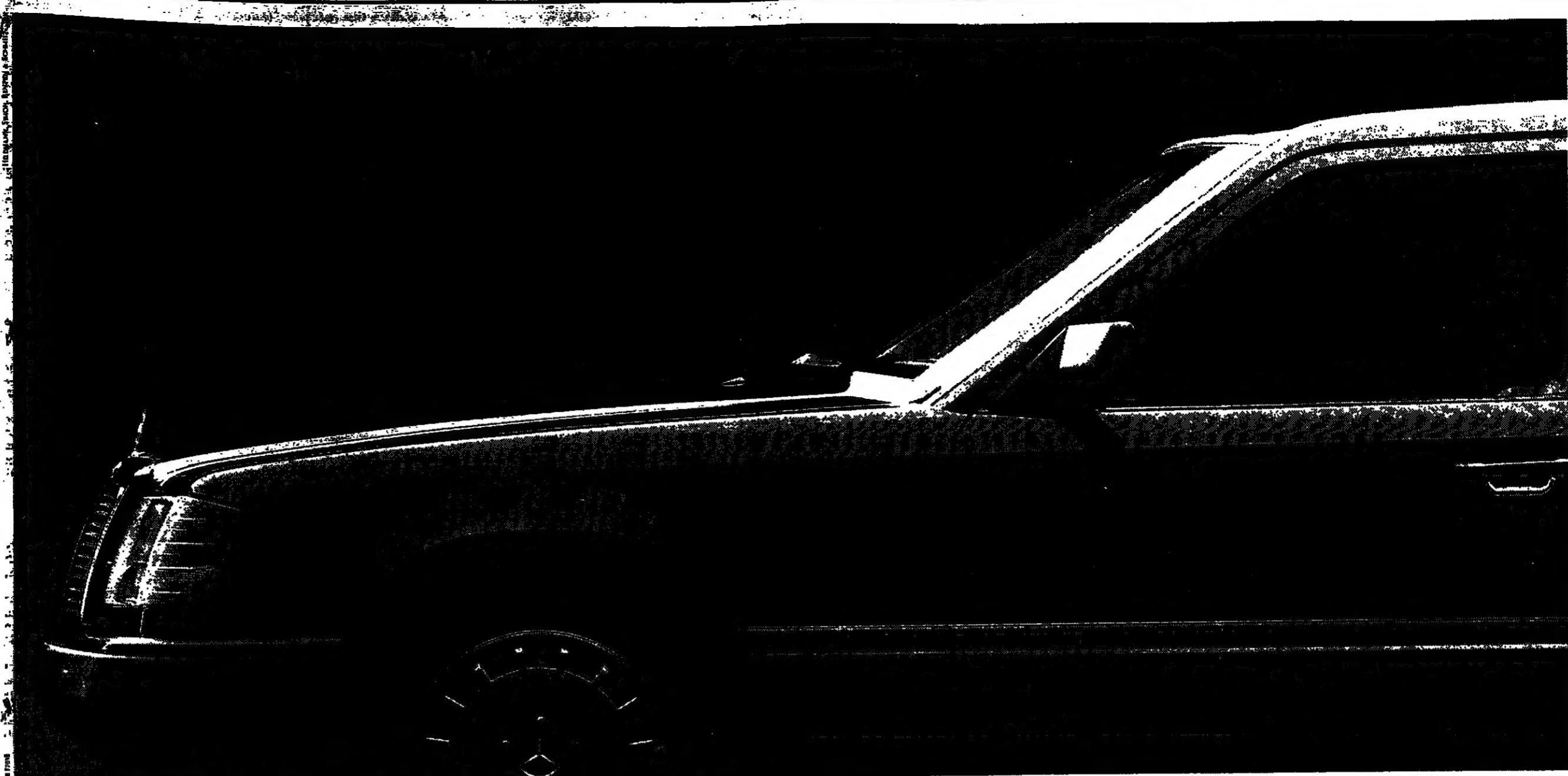
What makes this noteworthy is that under the new president, Ali

Hassan Mwinyi, Tanzania's future has been linked to the free-market capitalism that Mr. Nyerere has spent his life decrying.

In 24 years as leader of Tanzania, Mr. Nyerere, 65, was probably black Africa's best-known orator and statesman. With passion and persuasive power, he traveled the world to advocate a fairer distribution of wealth among nations. His army purged Uganda of Idi Amin. Out of Tanzania's 130 ethnic groups, Mr. Nyerere's idealistic leadership forged one of Africa's most united, most peaceful nations. But he also presided over — and is widely considered responsible for — the beggary of his country. Mr. Nyerere's "African socialism" — collective farming, state ownership of business, abolition of private enterprise — turned a resource-rich land into a potholed ruin.



One of a series of messages from leading companies of the world appearing during the IHT's anniversary year.



# New Opportunities.

For Daimler-Benz the 1986 financial statement is significantly more than merely the accounts for the year.

New opportunities are taking shape, and we have the ability to take advantage of them.

For the first time AEG, Dornier and MTU have been incorporated into the annual accounts. Consolidated group sales increased by 25% to DM 65.5 billion.

After the successful closing of the accounts for the anniversary year of the first century of the automobile, this provides an encouraging opening statement for the second - on a broader basis.

#### Vehicle production in top gear.

In 1986 both domestic and foreign demand for Mercedes cars exceeded production capacity.

In the highly competitive commercial vehicle markets we maintained our leading position due to our modern range of vehicles and a convincing after-sales service offer.

Our future competitiveness will depend even more on our ability to set progressive standards in both product development and manufacturing technology, to meet the highest demands.

| DAIMLER-BENZ GROUP                     |         |                |
|--|---------|----------------|
|  | 1986    | Change<br>in % |
| Sales (in millions of DM)              | 65,498  | + 25.0         |
| Domestic                               | 27,838  | + 48.8         |
| Foreign                                | 37,660  | + 11.7         |
| Cars                                   | 31,300  | + 9.6          |
| Commercial Vehicles                    | 17,747  | - 12.2         |
| AEG                                    | 11,069  | -              |
| Dornier                                | 2,112   | -              |
| MTU                                    | 2,766   | -              |
| Car Production (units)                 | 594,080 | + 9.8          |
| Commercial Vehicle Production (units)  | 236,344 | + 5.8          |
| Number of Employees (at year end)      | 319,965 | + 38.5         |
| Domestic                               | 257,538 | + 38.0         |
| Foreign                                | 62,427  | + 40.5         |
| Personnel Expenses (in millions of DM) | 19,358  | + 41.7         |
| Fixed and Financial Assets             | 12,148  | + 19.0         |
| Investments                            | 5,580   | + 1.6          |
| Depreciation Expenses                  | 3,361   | + 2.6          |
| Cash                                   | 14,668  | + 26.3         |
| Stockholder's Equity                   | 12,294  | + 25.8         |
| Basic Share Capital                    | 2,118   | + 24.7         |
| Taxes on Income and on Net Assets      | 4,034   | - 7.1          |
| Net Income                             | 1,767   | + 5.1          |

#### Quality before quantity.

With our continuous growth and the broadening of our company's base through the acquisition of AEG, Dornier and MTU, we have gained a new dimension as an industrial concern with a wealth of opportunities for acquiring knowledge and for moving into new areas.

We see this as a major step towards securing the long-term future success of our group. We have always given priority to growth in quality over growth in quantity.

#### Continuing at the top.

To be a yardstick of progress, it is necessary to place the greatest emphasis on innovation and technology.

Our capital expenditure programme, which will amount to DM 24 billion in the next five years, and the enthusiasm and determination of our employees provide us with an excellent basis to both exercise a decisive influence on the "new age" of the motor vehicle and to be successful in the new areas of activity.

We have confidence in the future. The achievements of the past confirm our resolve.



## OPINION

## INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## A New Topic for Talks

Throughout the dispute over medium-range nuclear missiles, the cry has been, "We in Western Europe can't cut our nuclear strength — not when the Warsaw Pact is stronger in conventional forces." Yet leaders have been unwilling to foot the high bill for more men and weapons, and unable to negotiate a new balance with Moscow.

The unwillingness and the inability have not much changed, but NATO does have new negotiating opportunities. Perhaps the most promising is not a negotiation at all, but rather an invitation by Moscow for military experts to talk about aspects of each other's strategy that bother them most.

After almost 15 years, the Mutual and Balanced Force Reduction talks are winding down. The goal was to reduce troops in Central Europe, but the bargaining never even produced agreement on the number of Soviet troops. The negotiators struggled through endless complexity seeking ways around a powerful geographical fact: Soviet forces would be withdrawn only hundreds of miles to Soviet territory, but U.S. forces would be carried back home over an ocean.

By agreement, these desultory talks will close at year's end, to be replaced by a new forum under the aegis of the broadly based Conference on Security and Cooperation in Europe. This forum will involve all of NATO, including France. Instead of addressing only troops in Central Europe, the

new talks will look at conventional forces from the Atlantic to the Urals. As a consequence, the Russians have talked of "redressing" imbalances and "appropriate cutbacks" where advantages exist.

Still, the new talks will be far from easy. The West, while concerned about the changing situation in Europe, has reached no agreement on how to respond or what conventional force reductions to press for.

That is all the more reason to look at a third forum, one proposed several times by the Warsaw Pact and spurned, unreasonably, by NATO. The idea is to bring experts from the two sides together to discuss doctrine and strategy. What force components such as tanks most threaten the other side? What deployments make the launching of surprise attacks look likeliest?

The proposal responds to years of concern over what Western experts see as the Warsaw Pact's offensive posture. It could help both sides identify what they really want from conventional force cuts. The Western objection, that such talks would confer an advantage that does not exist, is senseless.

The two sides share important incentives: to reduce both the level of confrontation and the cost of maintaining and modernizing conventional forces. Talks among experts could help make conventional arms reduction talks a little more fruitful.

—THE NEW YORK TIMES.

## The Reason to Reflag

Almost everyone seems to agree that the Reagan administration has handled the reflagging issue badly. But that leaves the question of whether the reflagging of Kuwaiti tankers should proceed. We think it should, but there is a necessary condition. The administration should be made to demonstrate that it understands what it is doing, militarily and politically.

Politically, that means being able to convey a clear purpose. The administration has cited free navigation — but ships pass steadily, despite the shooting in the Gulf for the last three years, and Washington countenances Iraq's continuing attacks on Iranian shipping. It has cited the free flow of oil — although oil already flows freely. It has cited the modest new Soviet naval presence in the Gulf — a consideration that set it up for the Kremlin's booby-trap proposal that all non-Gulf states remove their warships.

That leaves, among serious considerations, the purpose of keeping Iran, which occupies Iraqi territory, refuses to negotiate a fair peace and threatens all moderate Arab regimes, from winning the war.

Reflagging is said to mark a tilt to Iraq. It happens to differ only in degree from steps already taken by the Soviets, the British and others to protect shipping of special interest to them. Free general navigation has not been "on" in the Gulf since Iran shut down Iraq's ports early in the war. Iraq responded

by attacks on Iranian shipping to seal off Iran from the sea in the same way. Iran counterattacked by hitting ships bound to and from Iraq's friends. This brought in non-Gulf protectors. Reflagging arises now as Washington seeks with Moscow to open negotiations at the United Nations to end the war. It can serve that diplomatic initiative. That is the essential rationale for reflagging. It avoids full American endorsement.

There are military risks — risks at least on the order of those already being faced, with our much fuss, by the British and the Russians. Given the special circumstances, the risks may be greater. But they might be reduced if the American government conveyed as convincingly as possible that it would take seriously an attack on ships flying the American flag. Presumably that is why the navy, detecting Iran's work on making its new Silkworm missiles operational, launched warning planes from a carrier; for whatever reason, work stopped.

American arms should threaten no one in the Gulf. They should be available only for defense, reasonably defined, but they should be available. Within a context of care and firmness, it seems to us the United States could reflag Kuwaiti tankers and promote a negotiation to help end a war that is only incidentally and in trivial measure a war at sea, but that is a terrible war.

—THE WASHINGTON POST.

## A Rogue Government

At one point, Lieutenant Colonel Oliver North held his left hand aloft as if to pledge "scout's honor." The gesture typified the performance. Indeed, for a time it seemed that the dazzling political theater would obscure the content of the Iran-contra scandal. Viewers swamped the joint investigating committee with entreaties not to rough up this articulate scout-turned-marine.

According to a New York Times-CBS News poll, he is no hero to three out of four Americans. But he has acquitted himself in the court of public opinion of the charge, leveled even by the president's men, that he was a rogue elephant making disastrous high policy without authorization. In effect, he has indicated the administration for rogue behavior.

For all his fervent loyalty to the president, the public seems to understand that he could not and would not have undertaken so vast an operation without higher authority. Only one in four Americans believes Mr. Reagan when he claims he did not know about the diversion of Iran arms profits to the contras. Only one in four thinks the colonel acted on his own.

And when it came to the president's men, the colonel was not so reticent in his testimony. The witness told of how Secretary of State George Shultz clapped an arm of praise around his shoulder, and the colonel dropped the names of middle-level officials who helped him and sought his help. Did Elliott Abrams, assistant secretary of state for inter-American affairs, question him about contra involvement? "He didn't have to ask me," Colonel North spoke of meeting with officials like Assistant Secretary of Defense Richard Armitage and Alan Fiers

—THE NEW YORK TIMES.

## Other Comment

## And Still the Tourists Come

It seems curious that one branch of government should choose to announce we have a national epidemic of drunken driving at the same time another announces that more than 1,320,000 tourists came to Britain in April, 30 percent more than last year.

Tourists are nervous people, and just as we were beginning to recover from the threat of Libyan terrorists, government departments start shrieking about new and imaginary dangers as they jockey for the taxpayer's

money. The police proudly boast that muggings and knifings are now out of control; the National Health announces a raging epidemic of AIDS; the Department of Transport chips in with the totally invented epidemic of drunken driving, and Environment assures us that our inner cities are about to explode in an orgy of looting, rape and arson.

I should have thought it obvious, in the post-industrial, post-manufacturing state of Britain, that a large part of future success must be built on tourism.

—Auberon Waugh in *The Sunday Telegraph*.

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## A Friend's Call to Charlie Glass's Kidnappers

By John K. Cooley

London — I decided to address you directly, since I have been a close friend of Charlie Glass from the time we first met in Beirut in 1972. Since you have forced him to make a videotape falsely accusing himself of being a spy, my duty as Charlie's friend is to inform you, and everyone else who reads this, about who Charlie Glass really is. If you read with an open mind, you may realize how foolish and how harmful to your own cause is your abuse of an innocent man, which your Islamic faith forbids.

One of the English novelists whose books I was obliged to read in high school said, "Friendship begins with liking or gratitude." Mine for Charlie began with both, at the American University of Beirut (AUB). Most people like Charlie instantly. I was grateful to him, because in 1972, when he was still a student, his zest and enthusiasm for the eclectic life of AUB, on and off campus, which through violence your people and others have done so much to destroy, fired me back into academic life — even though by then I was a full-time journalist, who had supposedly left the classroom behind.

Charlie loved the shady, garden campus of AUB. It reminded him of his hometown, Los Angeles. It recalled Loyola High School and the University of Southern California, where he had just obtained his B.A. in philosophy before his first trip to Lebanon.

Charlie felt somewhat at home in Lebanon. Perhaps it was because of ancestral memories transmitted by one Lebanese grandmother. Anyhow, he and the people of Lebanon seemed to understand one another. Charlie began to work for The Christian Science Monitor and ABC Radio News. They began to broadcast and publish his sympathetic reports about the problems of the Lebanese, gradually expanding to include other people: Palestinians, Israelis, Egyptians, Syrians. What preoccupied him and most of us, though, in the mid-1970s, was the Lebanese civil war, which had fomed slowly and then struck with the force of a hurricane in 1975-76.

Before it struck, Charlie had his MidEast baptism of fire in 1973, when Presidents Sadat of Egypt and Assad of Syria made a partly successful bid to recover their territory lost to Israel in 1967, drawing America fatefully into the MidEast peacekeeping process. Charlie was there, working in Rhodesia (now Zimbabwe) and Zambia, for the Chicago Tribune, the New Statesman, the Financial Times and The Observer.

After we all survived the Lebanese civil war, Charlie had acquired his London family by now, worked for London Weekend Televis-

ion. He proudly helped to produce a fine documentary film on "Islam" in 1979. There followed a stint with Newsweek in Boston. He covered such hotbeds of CIA intrigue as New England and Canada. Your bosses in Tehran should have voluminous files on all that.

Charlie came back to ABC News, based in London, then Beirut, then London again. We were able to work together once more. During the April 1986 U.S. air raid on Tripoli, Charlie described a meeting with the family of a Lebanese girl student in London, who had flown home to see her parents in Tripoli — only to be killed by the American bombs that night.

Charlie's first love remained Lebanon. Last summer he explained to me his idea for a kind of sepia-style travel book in the manner of the 19th century gentleman traveler, about Lebanon, Syria, Israel and parts of Turkey. This was the Levant which authors like Freya Stark, Richard Burton and Arab and Persian writers had described. He felt it was time to set down on paper how the old places look today. He was well along with that project when your gang took him and his friend, Al Cassar, from Al's car south of Beirut on June 32.

Far more than the events, it was the people of Lebanon — Moslem, Christian, Druze, whatever — in their beautiful but fractured and melancholy mountains, valleys and seascapes, who counted most for Charlie. Once, in the midst of Lebanon's tumult, he said to me: "This is a human tragedy past all imagining. Yet the sun comes up in the morning warm and good; the sea is bluer than anywhere else, and the bread is fresh and warm."

Some spy! The statement you made him deliver gave itself, and you away. As Charlie's friend Edward Moninger wrote in the Financial Times, even on the absurd supposition that the CIA would have wanted to use Charlie, "he could never have been chosen for the mission to tie up relations between the Israelis and Christians society" in Lebanon, as you said him say.

Tell your superiors that they, and you, have made a terrible mistake.

The writer is a London-based staff correspondent for ABC News who specializes in his books and reporting on the Middle East and North Africa.

## Maybe a Pardon for North, but He Forgot His Duty

By James Reston

WASHINGTON — You have to give Colonel Oliver North credit — millions of it. He not only can shred the Constitution, but also stand to gain by what is left of it. For even if the law catches up with him, he can always count on a presidential pardon.

Article II, Section 2 of the Constitution is quite specific. It says that the president "shall have the power to pardon all crimes, except treason, committed by persons serving in the armed forces in time of war." He would not even have to wait until the special prosecutor managed to indict or convict Colonel North. President Ford pardoned ex-President Nixon before he could be brought to trial. Mr. Reagan could do the same.

The hearings have not found a "smoking gun," although the hall was full of smoke. Sooner or later, television dominates everything in Washington, and Ollie is the snappiest act since Mickey Rooney. It is hard to imagine any prosecutor putting to a jury that would convict him.

The hearings have not found a president's power of pardon, it instructs him to "take care that the law be faithfully executed." His failure to do so in the Iran-contra case is precisely the cause of this whole hullabaloo.

The hearings have paid so much attention to what the president knew or didn't know about the diversion of funds that they have almost ignored his failure to see that the law forbidding aid to the contras, which he was faithfully executing, was faithfully enacted.

Even Colonel North testified that he was surprised to hear that the president had said he did not know his National Security Council was engaged in these covert military operations. Mr. Reagan's failure to know what the NSC was doing is in many ways worse than if he did know — but it is not good politics.

Colonel North's view of the world is that the enemy was establishing beachheads in the Western Hemisphere and seizing and torturing U.S. citizens in the Middle East and elsewhere. He is America's last antihero, bent on expanding democracy abroad even if it violates it at home.

On television, he brags the Nielsen records, but on the Constitution he forgot the lesson he was taught at the Naval Academy.

The notion that private citizens without secret clearance could negotiate in the name of the United States and talk to anyone about any of the problems of the Iran-contra case is preposterous.

French officials have concluded that it was pointless, and counterproductive, to try to negotiate with Iran's "underlings."

The Iranians, a senior official said, "have a superiority complex and want to see the Americans, the French and the rest of us on our knees before their revolution."

But in Washington, Colonel North was walking through another version of why he eagerly shipped Hawk and TOW missiles to the same ayatollahs in Tehran who had blessed his unrepresentative revolutionaries.

French officials have concluded that it was pointless, and counterproductive, to try to negotiate with Iran's "underlings."

The Iranians, a senior official said, "have a superiority complex and want to see the Americans, the French and the rest of us on our knees before their revolution."

Colonel North sought to concentrate attention on the "new idea" of fighting the Sandinistas with Iranian money, and on the very concept of covert actions, rather than focusing on his extraordinarily stupid, dangerous and self-defeating wheeling and dealing with Iranians who rejoiced in humiliating not just him but America itself, when they finished using him.

"I'd have offered the Iranians a free trip to Disneyland if we could have gotten America home for it," Colonel North told the congressional committee. That is what he did. He took the Iranians to his own Disneyland of policy-making, where the hostages would carry out a massive net of espionage in other parts of the world, without the authority of anybody.

For this lieutenant colonel, or "the kid," as he sometimes called himself, the ends justified the means, just as long as he had information and influence with the men who mounted and tolerated this scandal, who had not learned that lesson, or much else, from the shame and disaster visited on the White House.

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"I'd have offered the Iranians a free trip to Disneyland if we could have gotten America home for it," Colonel North told the congressional committee. That is what he did. He took the Iranians to his own Disneyland of policy-making, where the hostages would carry out a massive net of espionage in other parts of the world, without the authority of anybody.

Thus, no matter what radical or hybrid reforms finally emerge, the changes that Mr. Gorbachev has set in motion are irreversible — whether he survives as leader or not.

The writer is an American citizen, a former senior diplomat and an ambassador to the United States in 1978. He contributed this column to The New York Times.

## IN OUR PAGES, 75 AND 50 YEARS AGO

## 1912: Plotters in Cairo

CAIRO — The discovery of the plot to assassinate the three most trusted persons in Egypt — the Khedive, Lord Kitchener and Mohamed Said Pasha, the Prime Minister — has given rise to much comment. There is not much evidence that the secret society that has been unearthed has any wide ramifications. Beyond a few youthful students, it does not include any person of importance. The plot was discovered owing to one of them being overheard to say, in a cafe, that he had established a secret society with the object of getting rid of the "enemies" of Egypt. The police are investigating the "conspirators" movements.

This situation has already created an enormous dilemma, because such developments force us to release statistical and other important data.

Introduction of videotape systems, along with the telecommunications revolution, will inevitably increase the flow of information from the West. The growing, insatiable links between the Soviet and world economies will push the country irresistibly toward more reforms. Mr. Gorbachev continues to regard the situation as "very grave," due to repeated demonstrations of bad faith by the Chinese troops. Tokyo has sent Nanking "a final warning" that if the "acts of provocation" by Chinese troops do not cease immediately, the Japanese Army will take "all necessary measures." Nanking's response was that "the events of the last few days furnish strong evidence that the Japanese government is looking for a pretext to make a second Manchukuo in Northern China."

The Washington Post

## Who Knows What to Do About Iran?

By Jim Hoagland

PARIS — "Strange climate," a Frenchman aboard a jetliner flying above Washington tells a fellow outboard passenger. The comment does not refer to the wilting heat of July. The departing visitor speaks of a shabby, vanishing president, with Oliver North, Iowa Gov. and son of a belligerent Congress — in short, of the disorder that the Iranian revolution had spread through the American system of government.

What to do about Iran

o Knows  
at to Do  
out Iran?  
Jim Hugland

## Opposition In Panama Vows to Step Up Protests

By Stephen Kinzer  
New York Times Service

PANAMA CITY — Opposition leaders vowed over the weekend to continue increasing their protests against Panama's military leader, General Manuel Antonio Noriega, whose police have resorted to tear gas and buckshot to reassert his authority.

Using highly unusual tactics for Panama, riot policemen arrested more than 100 demonstrators and scattered thousands of others who tried to hold a rally on Friday in defiance of a government ban.

Protest leaders already have begun to discuss alternatives for a post-Noriega regime, amid signs that the government's political coalition was weakening.

Some U.S. officials reportedly are worried that a period of dangerous instability could follow the general's departure if he is forced in Copenhagen.

General Noriega minimized the importance of the protest Friday, asserting that it involved no more than 5,000 of the country's 2.2 million people. The minister of government and justice, Rodolfo Chiari de León, said political demonstrations would be prohibited "for as long as current circumstances exist."

The rally Friday was to have been held at a church that faces one of the capital's main avenues. But policemen carrying plastic shields and wearing gas masks sealed off streets leading to the church. As demonstrators approached, waving white flags, shouting insults and at times throwing rocks, lines of policemen repeatedly charged at them.

A senior opposition leader, Armando Arias Madrid, who many contend was the true winner of the 1984 presidential election, accused the military of unleashing "brutal repression" against citizens "armed only with their consciences and their convictions."

The general and his backers have portrayed the protests as fomented by the United States and by wealthy pro-U.S. Panamanians who are seeking to return to positions of power they lost when the military seized control 19 years ago.

The ruling coalition was shaken this week by an unexpectedly strong public declaration by the civilian vice president, Rodolfo Quiroga, who heads the Liberal Party. He condemned his own government for closing news outlets and sending "paramilitary groups made up of extreme leftists" to attack people and property.

In the United States, the State Department and Congress have criticized General Noriega's rule recently, but there appears to be concern the Pentagon about the direction Panama could take if General Noriega is forced to leave power. There are nearly 10,000 U.S. troops based in Panama, and many sensitive intelligence operations are directed from U.S. bases along the Panama Canal.

The American military people say that the most organized group in Panama is the defense forces, said a businessman who is in regular contact with senior U.S. officers. "Their position is that Noriega is all they've got. They don't want to go through a period of change that could be painful, embarrassing and threatening."

## Demjanjuk Lawyer To Get a Hearing

The Associated Press

JERUSALEM — A hearing has been scheduled for Wednesday to determine whether John Demjanjuk, an accused Nazi war criminal, was aware of his actions when he dismissed his chief counsel, Mark O'Connor, the attorney said Sunday.

Mr. O'Connor said he found Mr. Demjanjuk, a retired auto worker from Cleveland, "crestfallen" and "confused" at their last meeting. The attorney, who has represented Mr. Demjanjuk for five years, said he would not withdraw from the case unless there was a court order.

A court spokesman said the hearing was only "to formalize" Mr. O'Connor's dismissal, which occurred Friday.

## Commission Averts Monumental Errors

Since the federal Commission of Fine Arts was set up in 1910, it has been judging the aesthetic values of proposals for monuments, memorials and statues in Washington.

Most recently, the commission succeeded in getting the Holocaust Memorial Museum, now under construction near the mall that extends from the front of the Capitol, reduced in size and presence. It is a reflection of the power and authority of the commission, says The New York Times, that its views on even so emotionally charged an issue as this were quickly and calmly accepted.

Arthur Rosenblatt, director of the museum, said, "We reviewed their comments and the conclusion was that there was some merit in them."

Similarly, the commission vetoed President Richard M. Nixon's notion of constructing an amusement park on the mall modified after the Tivoli Gardens in Copenhagen.

Charles H. Atherton, the commission's executive secretary, said it was unlikely that something like the futuristic Pompidou Center in Paris would be approved. "We tend to discourage spectacular aberrations," he said.

The commission has shown that it can compromise. When critics objected to the starkness of the Vietnam Veterans Memorial, two large walls bearing the names of the dead, the commission permitted the addition of a realistic sculpture of three American fighting men.

## Short Takes

Convertible automobiles, after nearly fading away in the 1970s, aren't just making a comeback; they're back, with 130,000 sold last year, or about 1.3 percent of the market, outpacing predictions that 100,000 would be sold. In 1981, not a single U.S. manufacturer was making convertibles. Now just about all of them, domestic and foreign, are doing so.

Harvard University has invited all presidential candidates, Democrats and Republicans, to appear on public television, one by one, an hour each, on Sunday afternoons starting in October and ending just before the Iowa caucuses in February. Marvin

## AMERICAN TOPICS



SHARING VIEWS WITH SOVIETS — Gerald R. Ford, second from left, meeting with a Soviet delegation at his home in Beaver Falls, Colorado, to talk about drug and alcohol abuse. The Soviets, ending a three-week tour of the United States, were, left to right, Katherine Menshikova, Konstantin Voronin and Alexei Kampov-Polozov.

Kalb, a former diplomatic reporter for NBC News who is now with Harvard's Kennedy School of Government, will interview each candidate for half an hour and then the candidate will field questions from the campus audience. The objective, reports The New York Times, is a setting that will be forgiving of gaffes but hostile to sloganizing. "But if somebody wants to change in long-windedness," said Paul Bograd, an organizer, "that's a judgment that's in to make."

Wall Street financial houses are offering salaries of up to \$160,000 to people with master's degrees in business administration at the leading U.S. graduate business schools. But industry is showing less interest in MBAs, according to U.S. News & World Report. The trend reflects current criticism of U.S. business as concentrating too much on paper trades and not enough on manufacturing. The schools have taken notice. The Massachusetts Institute of Technology's new engineering-and-management program is one example. Harvard is de-emphasizing investment

banking in favor of technology and production.

## Notes About People

Senator Albert Gore Jr. has run on his own in his campaigns for Congress since 1976 with no help from his father, who served 32



Albert Gore Jr.

years in the House of Representatives and the Senate before being defeated in 1970. "He wanted to be his own candidate, his own man," said the elder Mr. Gore, 79. But now that the younger Mr. Gore, 39, is running for president, his father is accompanying him on campaign trips. "Running for president is a little different," Mr. Gore Sr. explained.

Eleanor Smeal says she is stepping down as president of the National Organization for Women when her term ends this month, because she wants to devote more time to getting women into politics and politicians more aware of women's issues.

After Kris Kristofferson, 51, gave a benefit concert for Vietnamese veterans in Albany, New York, he was presented with a plaque. The plaque was found by a cleaning worker the next day in a pile of trash in Mr. Kristofferson's vacated dressing room. A Kristofferson spokesman said the plaque "ended up in the garbage by mistake."

— ARTHUR HIGBEE

## Salvadorans Assert Rebel Documents Detail 'Insurrection' Plan for Capital

By William Branigan  
Washington Post Service

SAN SALVADOR — El Salvador's Marxist-led guerrillas, in a shift of strategy, are stepping up activities to incite an "insurrection" in the capital and prepare for a national "strategic counteroffensive" in the next two years, according to rebel documents said to have been captured by Salvadoran security forces.

The documents, according to the security forces, were captured in raids in April on "active safe-houses" of the Farabundo Martí National Liberation Front.

The front, known as FMLN for its Spanish initials, is the umbrella organization of the guerrillas, which are in their eighth year of war against the government.

The documents appear to indicate that the rebels' previously announced objective to intensify insurgent activities in the capital has been carried out.

The documents were captured in raids in Aiyutepeté, on the northern outskirts of San Salvador, and in Texistepeque, in the eastern part of the country, according to the Salvadoran military.

The plan outlined in the documents calls for a series of increasingly aggressive activities in conjunction with certain labor, humanitarian and refugee organizations that the government of President José Napoleón Duarte has denounced as "rebel fronts."

One document discusses combining military actions by Farabundo Martí guerrillas with "insurrectional" activities by civilian organizations.

It outlines plans for intensified labor strikes, sit-ins, marches, land takeovers, infiltration of the armed forces, protests in front of the U.S. Embassy and the presentation of specific demands to the government and the public.

The documents also outline involvement by several groups that are not mentioned by name.

A member of the Democratic Revolutionary Front, which is allied with the Farabundo Martí front, did not dispute the authenticity of the documents this month when shown a transcript of one key paper that appears to be from the Farabundo Martí general command.

The documents, according to the security forces, were captured in raids in April on "active safe-houses" of the Farabundo Martí National Liberation Front.

The front, known as FMLN for its Spanish initials, is the umbrella organization of the guerrillas, which are in their eighth year of war against the government.

The documents appear to indicate that the rebels' previously announced objective to intensify insurgent activities in the capital has been carried out.

The documents were captured in raids in Aiyutepeté, on the northern outskirts of San Salvador, and in Texistepeque, in the eastern part of the country, according to the Salvadoran military.

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Excélsior, acknowledged that weapons had been sent to the Salvadoran rebels for a time shortly after the Sandinists took power.

He indicated some supplies for

men is given greater credence by the fact that they outline a program of actions that occurred after the papers were seized.

Two organizations mentioned in

One of the documents outlines plans for intensified labor strikes, sit-ins, marches, land takeovers, infiltration of the armed forces and protests at the U.S. Embassy.

the Farabundo Martí front may still be passing through Nicaraguan territory without the government's knowledge. He denied, however, that Nicaragua has any policy now of supplying the Salvadoran rebels.

None of the recently captured documents makes any reference to foreign arms supplies.

The authenticity of the documents, the National Union of Salvadoran Workers and the Committee of Mothers, have denied that they have any links with the Farabundo Martí front.

The workers' union — a leftist labor federation that includes student, peasant and refugee groups — last month denounced as a "dirty and criminal action of the

government" the portrayal of the organizations as fronts of the rebel groups.

A spokeswoman for the Committee of Mothers, which is known as Comadres, said: "We don't have any relationship with the FMLN. Our work is neutral."

The spokeswoman, Marlene Perez, charged that information linking organizations such as Comadres to the rebel groups came from false confessions that had been extracted from political prisoners under torture.

Mrs. Perez said she knew nothing about the captured documents, which she described as "armed forces communists."

Comadres, which was formed in the 1970s, has won international attention for its work in denouncing rightist death squads.

Of the more than 60,000 Salvadorans said to have been killed since the civil war began in 1979, an

estimated 40,000 are believed to have been murdered by death squads.

The headquarters of the Comadres committee has been the target of several attacks.

Violence broke out between security forces and protesters in San Salvador last Wednesday when about 100 members and supporters of a Social Security workers union, some of them armed with clubs, tried to occupy the Institute of Social Security building and clashed with police guarding the site, news agencies reported at the time. The Social Security workers union is a member of the National Union of Salvadoran Workers.

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He personally subsidized many of these recordings on the \$12,000-a-year income he received from a trust fund. He heard Ella Fitzgerald in 1934, shortly after she had won an amateur contest, and declined to record her. He later said it was the worst mistake of his career.

During this time, Mr. Hammond befriended the young Goodman, who was then playing only occasionally, in pit bands and on the radio. The two men often went on nocturnal excursions around Harlem. On one trip, they heard an unknown singer named Billie Holiday. Mr. Hammond was tremendously impressed and immediately arranged for her to make two recordings with Goodman.

In 1934, Goodman reluctantly submitted to Mr. Hammond's off-

repeated plea that he form his own band.

During this period, Mr. Hammond discovered Count Basie over the airwaves of a Kansas City, Missouri, station, and found Charlie Christian playing in a small honky-tonk club outside Oklahoma City.

Mr. Springsteen played an audition for Mr. Hammond in 1972.

"He launched immediately into an extraordinary piece filled with street imagery," Mr. Hammond recalled. "I heard immediately that he was both a born poet and an extremely good guitar player."

One of Mr. Hammond's two

bands is the blues musician John Hammond.

## John Hammond, U.S. Record Producer and Talent Scout, Is Dead at 76

New York Times Service

NEW YORK — John Hammond, 76, a critic, talent scout and record producer whose musical discoveries ranged from Billie Holiday to Bob Dylan and Bruce Springsteen and who had an extraordinary influence on American popular music, died Friday at his home in Manhattan.

Hammond was a champion of racial equality, and his love for jazz and blues helped to elevate black music from segregated clubs and small, poorly distributed "race" record labels and bring it to a wide audience.

"Everything I was trying to do in the music business was connected to my attempt to rectify the wrongs that had been done to American jazz and black people," he said.

In 1978, he said: "One reason I'm the way I am is that I got to know Harlem. Upper-class white folks went up to Harlem in the '20s, slumming. I went out of passion. Anyone who did that had his life changed."

He arranged recording dates with racially mixed groups at a time when such arrangements were unheard of. When he introduced Mr. Wilson to Benny Goodman and they formed the Benny Goodman Trio, which subsequently played in Carnegie Hall, it was believed to be the first time a racially integrated musical unit had appeared onstage in a major hall in the United States.

Mr. Hammond was also a critic, and wrote widely on jazz and popu-

lar music for publications as disparate as Melody Maker, The Brooklyn Eagle, New Masses and The New York Times.

John Henry Hammond Jr. was born into an upper-class Manhattan family on Dec. 15, 1910.

While still a teen-ager, he became fascinated with black music, and spent a good deal of time in the clubs and theaters of Harlem. After dropping out of Yale University in 1931, he worked for radio station WEVD as an announcer, disc jockey and producer of live jazz shows.

In 1933, he was named American recording director of the English division of Columbia Records.

These early sessions yielded records by Fletcher Henderson, Coleman Hawkins, Joe Venuti, Chick Webb, Red Norvo, Mildred Bailey, Gene Krupa and Jack Teagarden, among others.

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## Continental Says Its Pilot Was Urged To Suppress Report of Near Collision

By Richard Witkin  
New York Times Service

NEW YORK — A radio conversation among pilots after two airliners nearly collided over the Atlantic last week included repeated suggestions that the incident not be reported, according to a Continental Airlines spokesman as well as officials close to an investigation of the incident.

The pilot of the Continental Boeing 747 involved in the Wednesday incident maintained in his radio transmissions that many people knew about the near collision and that he had to report it, the officials said.

Other participants in the radio conversations were pilots aboard the Delta L-1011, which missed the Continental jumbo jet by about 100 feet (30 meters) after straying 60 miles (100 kilometers) off course, and the crews of two other airliners in the area.

Officials said they could not be sure who first suggested hushing up the events and who lent support.

"I have passengers pounding on the door and crying, and they saw the whole thing out the window," was the gist of the Continental pilot's reply, according to a version of the radio exchange supplied by an airline industry source. Almost 600 people were aboard the two planes.

### KOREA: Cracks in a Police Wall

(Continued from Page 1) was killed by a tear-gas grenade during a rally.

It is a testament to the discipline of the police force that it killed no other demonstrators during 20 days of turbulent clashes in June, although one demonstrator died when he fell off a bridge, and one policeman was run over by a bus.

While comrades behind them lob tear gas at the students, and demonstrators in front of them throw stones, the front ranks of police are often caught in the middle. Ordered to act as a human wall, they have only their shields to fend off rocks and blows from stick-wielding students.

Units of plainclothesmen sometimes wade into the throng, beating students with clubs and grabbing

A Continental Airlines spokesman said Saturday: "There were several requests and each time our crew adamantly refused." A Delta Airlines spokesman declined to comment Saturday.

In the radio transmissions, some asked the Continental pilot whether they were going to file a report. When the Continental crew gave a quick indication that they would, according to sources close to the investigation, it was followed by a transmission to the effect that "nobody knows about it except us, you idiots!"

Government investigators said

that the issue of who said what would be cleared up by pilots and others who can identify the voices on a tape recording made by a U.S. Air Force Boeing 707. The Air Force pilot took special steps to prevent the 30-minute tape from being erased because they were upset at what they heard, the officials said.

One highly placed official of the Federal Aviation Administration said that agency officials who listened to the tape recording were outraged. The FAA has had a program for two years in which flight crews must file reports of near collisions.

U.S. regulations also require pilots who stray off course to

promptly notify air traffic controllers. This is especially important over the ocean, which is not covered by radar that allows controllers to follow the aircraft.

The main inquiry is being conducted by the Canadian Air Safety Board because the incident occurred in airspace under its authority about three hours flying time west of London. The planes were on parallel courses to the United States, and the FAA announced Friday that it was conducting its own inquiry in coordination with the U.S. National Transportation Safety Board.

The near disaster, and another close call over the Atlantic 300 miles south of New York a day later, increased concern among government and industry experts over the state of air safety. A controller error caused a Pan Am airliner and a Viasa Venezuelan plane carrying a combined total of about 180 passengers to come within a quarter mile of colliding on Thursday.

In Wednesday's incident, the two planes were flying at 31,000 feet westward from England's Gatwick Airport.

The Delta plane, carrying 153 passengers and a crew of up to 12, was headed for Cincinnati on the middle track of five trans-Atlantic routes from Europe. The Continental plane, carrying 399 passengers and 19 in the crew and bound for Newark International Airport, was assigned to the next track, 60 miles to the south.

For reasons that have not yet been determined, the Delta plane strayed south in clear weather near midday and crossed just beneath the Continental plane at about a 20-degree angle.

Bomber warned Washington during discussions in April and May that widening the accord would end

those they can catch. But the informed police do not follow suit.

When the police side their helmets off, some of their faces reveal unhappy draftees. Blinking back tear gas, sweating from padded uniforms, they slumped in formation for a cigarette break between skirmishes. Many are former university students with friends or acquaintances on the other side.

Mr. Yang said that in some cases police commanders stir up sentiments against the students, "raging" at them during training sessions.

But in recent days, as the force has become increasingly worn down, some policemen have been slow to join the battle when ordered. As a result, abuse by superiors has become more common, according to Kim Dong Wan, director of the Human Rights Committee of the National Council of Churches in Korea.

"This seriously changes the military balance,"

General Sunil said that of them may be tired, they act slowly, and the police overact," he said.

In the most recent such incident, a senior officer accused Cho Yang Kun, 22, of lacking discipline and repeatedly punched him in the chest. Mr. Cho died soon after the beating.

The incident occurred on a police bus while 40 other policemen watched, Reuters reported on Wednesday.

Mr. Yang said beatings were common, a tool to instill "unconditional obedience."

"On paper, it never happens," he said, "but in fact there are many cases."

In February, a human rights worker said, another policeman was beaten to death by two senior officers for "not listening well, not having the right spirit."

In addition, according to the church office, since September there have been three suicides and one attempted suicide by riot police who reportedly had been beaten, hazed, or, in one case, had morally extorted by senior officers.

### SHOOTING: West Bank Echo

(Continued from Page 1)

enough for Yusuf Said Nasser, 67, the father of the dead brothers. According to accounts by both sides, he lured Dawud Sobeh, 75, an uncle of the Abdelsadis, to a cafe in nearby Ramallah and stabbed him three times. Mr. Sobeh survived. Mr. Nasser went to jail.

He was sentenced to seven years, which touched off a brawl in the courtroom and on the streets of Ramallah. The two sides continued brawling when they returned to Deir Dibwan, and Israeli soldiers came to impose peace.

The next day two dozen Arabs halted Dawud Sobeh's sedan on the main road to Ramallah, beating him with a stick.

"It has destroyed all that we've worked for," said one member of the Saramaha, who lives in Jordan. "We love our village, we love peace. But the old people in this town refuse to listen. They still think the same way from 50 years ago. I am ashamed to say I am from Deir Dibwan."

### Claiming Millions in 'Paper Losses,' Developer Paid No U.S. Income Taxes

Washington Post Service

BOSTON — Mortimer B. Zuckerman, the real estate magnate who owns U.S. News & World Report magazine, has paid no U.S. income tax for the past five years by claiming tens of millions of dollars in what his lawyers call "paper losses" from various business ventures, according to court testimony here.

Portions of his personal tax returns, along with numerous other details about his business practices, have emerged in recent weeks during the course of an unusually fierce and protracted legal dispute growing out of Mr. Zuckerman's 1980 purchase of the Atlantic Monthly.

Mr. Zuckerman's lawyers, who fought to exclude the tax returns from the case, have contended that his lack of income tax liability between 1981 and 1986 reflects routine practice in the real estate business.

Ranked by *Forbes* magazine among the 400 wealthiest Americans with an estimated net worth of \$250 million, Mr. Zuckerman recently testified that he has accumulated more than \$100 million in real estate tax losses over the past few years.

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PORT OF CALL — West German Chancellor Helmut Kohl stopped Sunday in Shanghai to inspect the training vessel *Deutschland*. Mr. Kohl is on a weeklong visit to China; the *Deutschland* is the first West German naval vessel to dock there since 1949.

### LANCE: Irritated by U.S., Bonn Backs Off NATO Plan

(Continued from Page 1)

danger the Montebello plan, officials and political sources said.

In addition, during the NATO discussions on the arms treaty in the spring, Bonn was angered by a French suggestion to increase to 400 the Lance missiles from 80.

Mr. Rydakov, accused the United States and NATO on Saturday of failing to respond sufficiently to Soviet initiatives at the Geneva arms control talks. The Associated Press reported from Vienna.

He was speaking a day after the U.S. State Department charged that Moscow was stalling progress toward a superpower agreement on reducing medium-range nuclear missiles in Europe.

Mr. Rydakov said that, in trying to end through problems, "Colonel North was too obstinate and he lacked a strategic view."

"A system that could put him in charge — well, I admire it but I have to be worried and puzzled as well," he said.

Many Europeans said they were impressed with the degree of openness and accountability that Americans demand of their public servants; but wondered how such traditions can be reconciled with the demands of big-power politics.

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# PERSONAL INVESTING

## FOCUS

### Small vs. Large: A Closer Look

INVESTORS have long been aware that over lengthy periods of time, the returns on stocks of smaller companies as a group tend to surpass those on stocks of larger companies. "There's a fairly serious body of reliable research that small stocks on average outperform blue-chips," notes Russ Sinquefield, chairman of Dimensional Fund Advisors, a Santa Monica, California, investment firm, a long-time student of the phenomena.

That relationship makes good common sense. As a group, small companies typically grow faster than large companies. The higher returns on their shares compensate investors for the additional risks of investing in less established enterprises.

This seems to hold true in the world's three principal markets, according to research by Mr. Sinquefield's firm.

The firm ranked the stocks listed on the major exchanges in New York, London and Tokyo according to market capitalization and evaluated their performance over a 17-year period. In each market, the average performance of stocks in the lower half of the rankings outperformed the upper half by about 4 percentage points.

But investors would do well to underscore the word "average." Within the group of small companies from each market, there were sharp variations of fortune, making stockpicking a hazardous enterprise. Investors who bet on one or two small stocks, rather than building a diverse portfolio of 10 to 20 issues, were taking on a lot of risk.

MOREOVER, the average performance for long periods of time says little about near-term performance. Even well-diversified portfolios of small stocks will underperform one of larger stocks in certain periods.

Adding to the complexity is that there does not seem to be any reliable indicator to identify the periods in which small stocks will return more than large stocks. "Nothing can forecast whether one will outperform the other," contends Mr. Sinquefield.

Indeed, the experience of Japan and the United States in recent years shows how small stocks can disappoint in the midst of a rising bull market. In the last two years, the shares of larger Japanese companies have returned about 47 percent while those of smaller companies totaled 27 percent.

The gap in the United States was even wider, with larger stocks returning 28 percent and smaller stocks 18 percent, according to the Dimensional Fund Advisor statistics.

An exception has been Britain, where smaller stocks have nudged out those on larger stocks by a margin of 39 percent to 37 percent over the two-year period.

Much like there is little way to tell in a single market when smaller stocks will outperform bigger stocks, there is no correlation among the major three world markets on small-stock performance, Mr. Sinquefield says. From seeing this as a problem, he says it makes a good argument for a globally diversified portfolio of small stocks. Lagging performance in one market is more likely to be offset by better-than-average gains in another.

Mr. Sinquefield has observed at least one key difference between the U.S. market and those in Japan and Britain. In the United States, the returns on small stocks are far more volatile than those on large stocks, according to statistical measures used by professional portfolio managers. Yet the volatility of returns of small and large stock are about equal in the Tokyo and British markets.

This is important for investors who equate volatility with risk.

The inference is that, over the long haul, investors are not taking on much more additional risk for the extra returns on small stocks in Japan and Britain.

Mr. Sinquefield, however, is cautious about such conclusions. These statistical measures of volatility may not reflect all the risks inherent in those non-U.S. markets, he says.

For example, the market for smaller stocks in Japan and Britain may be narrower and less efficient than it is the United States. Buyers of smaller stocks in these markets may be less able to acquire shares at prices deemed appropriate, and sellers may have more trouble finding willing buyers.

William McBride

## UPDATE

### Closed-End Coup

IT is beginning to look like open season on single-country closed-end funds. Two months after dissident shareholders, led by T. Boone Pickens Jr., forced the Japan Fund to convert to a conventional mutual fund, a group of shareholders in the Scandinavia Fund has declared its intention to take over the fund. (Personal Investing, April 13).

The group announced that it had acquired 3,064,000 shares, or 47 percent of the fund, which was launched in June 1986 and trades on the American Stock Exchange. The fund's management has postponed the annual meeting until July 28.

The aims of the dissidents — Erik and Alexander Vik, VBI Corp. and Ingemar Rydin Industriifond AB — are not clear, but observers believe they have no intention of open-ending the fund. This would allow shareholders to cash in on the discount between the price of the fund's traded stock and its higher asset value. Instead, the group wants to elect its own slate of directors to run the \$70 million fund.

Thomas J. Herzfeld, a South Miami, Florida, investment manager who specializes in closed-end funds, says the Scandinavia Fund's discount doubled to between 18 percent and 19 percent after the announcement, reflecting the stock market's nervousness about the change in management. Still, despite the attractiveness of the discount, he says he is not recommending the stock to his clients. "I don't have a really strong view on Scandinavian markets," he says.

John Meehan

## The Privileged World Of Private Banking

### Fees Can Run High, But Service Abounds

By Phil Roosevelt

**C**HASE Manhattan's office at 725 Madison Avenue is not like most banks. A small, red-brick building dating back to the 18th century, it stands in elegant contrast with the store-front convenience that has come to typify modern-day branch-banking. There are no crowds of hurried depositors, no string of tellers' cages. Instead, clients quietly transact their business amid chandeliers, Persian rugs and fine crafted furniture.

"The moment you step in the door," says R. Stephen Rood, 51, the office's manager, "you know that you are in a special place and that you are a special person."

Welcome to the world of "private banking." Once practiced mainly by a handful of small European banking partnerships, the field now includes competitors from almost every major financial center. Banks in New York, London and Hong Kong, as well as Zurich and Luxembourg boast private banking divisions. Even regional banks in the United States are offering their own tailor-made services for individuals.

The object of the industry fervor is to attract what bankers like to call the "high net-worth individual." Ideally, private bankers want to find affluent clients who may not have the time, expertise or inclination to handle their own financial affairs and are willing to pay a fee for the bank to handle their assets.

In the case of Chase Manhattan's U.S. effort, customers generally must have annual incomes of at least \$250,000 or liquid assets of \$500,000 to qualify. Morgan Guaranty, at the high end of the scale, has raised its minimum to \$5 million for international clientele, and "we still think it's a little low," says Arthur Sculley, a senior vice president in Morgan's private banking division.

Of course, the notion of pampering the affluent is not new in banking. London's exclusive Coutts & Co., for example, has been providing personalized banking for nearly 300 years and today is known to count Queen Elizabeth II among its customers. But, while Coutts has clung to many of its internal traditions — all male staffers must wear frock coats — the bank is well aware that its market is changing.

"There's pretty fierce competition these days," says John Lucas, manager of business development for Coutts. "Everyone is awakening to the fact that these high net-worth individuals really do want personal attention."

One reason for the awakening is the sheer abundance of affluent individuals. Long-term rallies in financial markets, along

with successful entrepreneurial efforts, have created countless millionaires worldwide, and bankers realize that many needs of these individuals are not being met by such mass-market creations as automatic teller machines.

In addition, experts say, private banking is eminently profitable. Banks realize economies of scale by dealing with one customer with \$1 million rather than 50 customers with \$20,000. With profit margins getting ever smaller in traditional consumer banking, such economies are very welcome.

Many banks find private banking to be an ideal fit with their commercial, or merchant banking, operations. "After we help make chief executive officers rich, we suggest to them that we can assist them invest their proceeds," says Barbara Thomas, a senior vice president and head of international private banking at Bankers Trust Co.

Private banking used to conjure images of the wealthy clients funneling cash into numbered accounts in countries out of the reach of tax authorities. Confidentiality has always been a hallmark and best explains why so many private banks have been established in Switzerland and Luxembourg. Even Chase's Mr. Rood notes that the private banking division makes a determined effort to maintain employee loyalty to guarantee discretion. "We have career tellers at a time when career tellers are a thing of the past," he says.

Still, the industry has changed decidedly in recent years. Banks now offer detailed financial advice, comprehensive investment product lines and basic banking services, all while maintaining a measure of old-fashioned personal attention. And investment performance, not just wealth preservation, is rapidly becoming an important part of the picture.

**E**VEN Swiss banks, whose chief attraction long has been Switzerland's secrecy laws, say that customers are increasingly keeping one eye on their account statements and another on rising market indexes. "People have this magic word 'performance' very much on their minds," observes Ivan Pictet, a partner in Pictet & Cie, a leading Geneva-based private bank.

There is little unique about any single private banking service. In general they are all available elsewhere — either from specific departments within banks or from other types of companies.

Instead, bankers say, the main benefit to customers is convenience. All services are made available to the customer and coordinated, if not administered, by a single private banker, who often bears the title of "relationship manager."

Relationship managers, who are sometimes paid twice as much as the counterparts at standard consumer banks, are supposed to possess more financial expertise and often have earned graduate degrees in business. Ideally, the relationship manager will propose services relevant for the client and then work in concert with specialists at the bank to deliver the services.

For truly prized customers, there is almost no end to how far a

Continued on page 8

## THE PRICE OF PERSONAL SERVICE

| Bank                  | Minimum Investment | Assets Under Management                         |
|-----------------------|--------------------|---|
| Bankers Trust         | \$1 million        | 1 percent, deposits assets exceed \$2 million   |
| Midland Bank          | \$250,000          | 0.5 percent, deposits assets exceed \$5 million |
| Swiss Private Equity  | \$5 million        | 1 percent, deposits assets exceed \$10 million  |
| Pictet & Cie          | \$200,000          | 0.5 percent, deposits assets exceed \$5 million |
| Chase Manhattan Corp. | \$250,000          | 0.5 percent, deposits assets exceed \$5 million |

R. Stephen Rood of Chase Manhattan's private banking service in New York



## PROFILE

### Robert Prechter Rides the Wave

By John Meehan

Gainesville, Georgia

**I**T is an unlikely setting, about a half mile down a winding road from Russell's Garage, deep in the heartland of Georgia. But here with only tall pines to obscure the vision from his lakeside home, Robert Prechter has earned a reputation as one of the most accurate stock market forecasters in the United States.

Mr. Prechter, perhaps, is the best known practitioner of the Elliott wave principle, a technical — some say eccentric — system of predicting the market's ups and downs that first was developed after the disastrous crash of 1929.

The theory has all but been discarded by the Wall Street establishment, but remains a source of inspiration for Mr. Prechter's fans, 18,000 of whom subscribe to his monthly newsletter, The Elliott Wave Theorist, for \$233 a year. Not surprisingly, Mr. Prechter now finds himself cast in the role of a market guru, inheriting the mantle once enjoyed by predecessors such as Joseph Granville.

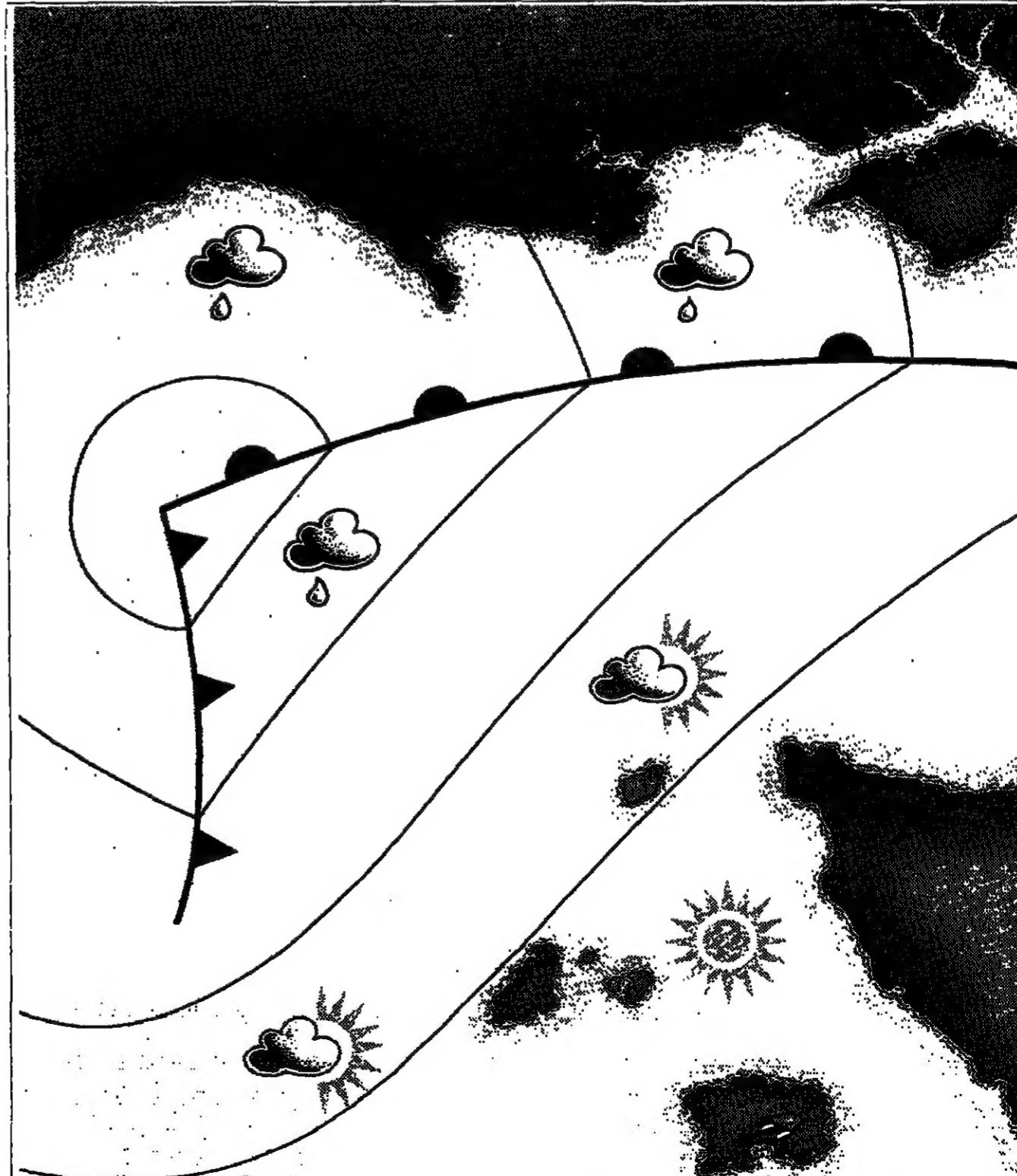
His popularity is understandable.

Continued on page 10

*There's still a thousand points left in this market.*



Robert Prechter at the lake near his Georgia home.



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## BOURSES

# Desk-Top Printing Makes a Splash

But seasoned observers of the sector caution that the field is not for faint-hearted investors.

By Cynthia Catterson

New York

HERE never seemed to be any doubt that Aldus Corp.'s debut last month as a public company was going to make a big splash. The software company's PageMaker product provides a key element in the desk-top publishing technology that turns a personal computer system into a sophisticated printing shop.

"It was a very hot deal, the type of story that got a lot of retail interest," says Robert E. Maison, partner at Harvard Management in Boston. Responding to investor interest, the underwriters had raised the offering price to \$31 a share from the planned \$14 to \$16. But only two hours after opening on June 16, Aldus rocketed to \$33.75. Currently, it is trading at about \$30.

"Aldus is the most important player in a very hot marketplace, so it stands to reason that there is a high level of interest in the stock," says Jonathan Seybold, publisher of *The Seybold Report*, which covers the computer-aided publishing industry. "But I would never have predicted the closing price. It's extraordinary."

The Aldus offering insures a higher profile for computer-aided publishing and is certain to set off a scramble by investors for other opportunities. But seasoned observers of the technology sector caution that the field is not for faint-hearted investors. While the experts agree that computer-aided publishing has impressive growth potential, the pace of innovation and intense competition make for nervous trading in these fast-growing companies.

A case in point is another desk-top publishing issue, Adobe Systems, whose initial offering a year ago did much to what investors appetite for Aldus. "For those who did not play Adobe and missed out, Aldus was their second chance," says Mr. Maison.

Adobe, creator of the Postscript software that set the de facto industry standard for linking personal computers with laser printers in desk-top systems, went public last August at \$11 a share. After a two-for-one split, the stock leapt to \$56 by spring.

But investors who came in late took a beating. A series of rumors then buffeted Adobe, pulling it as low as \$31, still 24 times projected 1988 earnings. The stock took a four-point jump recently when

product similar to Postscript — a "clone" in industry jargon — was announced at a computer trade show. Then just like week, Adobe rebounded, taking a 3-point jump in a single session, to \$32.50 a share.

"It's a profitable little company," observes B. Alex Henderson, an analyst at Prudential-Bache Securities. "But it's very risky because it doesn't move solely on fundamentals."

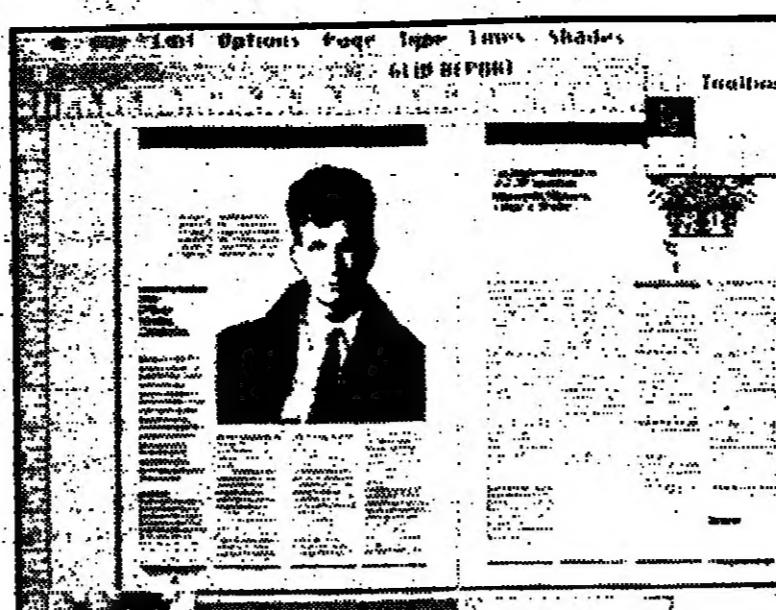
Mr. Henderson believes the stock could rebound to \$45 to \$50 per share by the end of 1987. The company recently reported a 90-percent increase in fiscal second-quarter earnings, while revenues swelled 150 percent.

There are already mutterings that the enthusiasm for Aldus is overdone at its current price. Mr. Maison of Harvard Management was a buyer of the initial offering but took his profits quickly.

"I knew it would go up significantly," says Mr. Maison, "but it got too pricey in the mid-thirties." Mr. Seybold agrees: "The valuation is rather rich."

The premium on Aldus shares reflects how the company is cashing in on demand for PageMaker, which lets users of personal computers lay out text and graphics on their video display terminals.

Aldus reported that revenues more than quadrupled in the first quarter to \$8.2 million. Followers of the company forecast that it will earn about 75 cents a share in 1987 and \$1 in 1988.



Here is how a newsletter page looks on a computer using Aldus' PageMaker.

So far, PageMaker is the only page-composition product available for both Apple and IBM personal computer operating systems. There are already about 60,000 of the software packages in use.

The attention that Aldus has attracted, says Mr. Henderson, means that companies in other segments of the computer-aided publishing field may offer opportunity. "There is more to computer-aided publishing than just the desktop systems," he says. Investors should also look into providers of large, sophisticated systems to big corporations.

Two companies that Mr. Henderson strongly recommends are Xyvision and Interleaf, which offer high-end and mid-range systems respectively. Each company enjoys a leading position as suppliers to corporate publishing departments that produce complex technical manuals and product catalogs.

"These [two] companies have the potential for 50 to 60 percent appreciation in value over the next year," Mr. Henderson estimates. At \$13 a share, Xyvision is selling at about 16 times estimated 1988 earnings. He expects revenues to increase more than 30 percent annually, exceeding \$4 billion by 1990.

Given the volatility of these stocks, investors would be wise to spread their bets, advises Robert Herwick, an analyst with Hambrecht & Quist. "A package of the leading companies — Xyvision, Interleaf, Adobe, and Aldus — would probably be the best strategy," he says.

That strategy would help limit the risks from the inevitable competitive maneuvering ahead.

"As the market becomes more mature, there is going to be pressure for the smaller firms to quickly adapt to changes in technology and increased competition," cautions Mr. Herwick.

Analysts note that computer-aided publishing is still in its infancy and, for the most part, these smaller companies have had the field to themselves. Competition

from any of the large computer companies, such as IBM and Digital Equipment, with their strong sales and services forces and large research and development budgets, could alter the picture. Xerox and Hewlett-Packard already market their own desktop systems.

HOWEVER, Mr. Henderson at Prudential-Bache notes that strategic alliances between large and small companies have already emerged. Interleaf, for example, has an arrangement to sell software to IBM, Digital Equipment and Eastman Kodak.

Another uncertainty arises from the introduction of far more powerful personal computer systems. These new personal computers could take on the tasks now performed by the Interleaf and Xyvision systems.

Much will depend on how fast the demand for computer-aided publishing grows. Mr. Henderson estimates that the industry will generate \$1.35 billion in revenues in 1987, up 70 percent from 1986. He expects revenues to increase more than 30 percent annually, exceeding \$4 billion by 1990.

Figures compiled by Datasquest, a market research firm, indicate that computerized systems offer enticing savings to corporations. The typical Fortune 500 company spends \$20 to \$40 million a year on printed materials, which represents 6 to 10 percent of total company costs. Datasquest calculates that computer-aided systems could cut publishing costs by as much as 50 percent and reduce revision and production time by as much as 75 percent.

But skeptics, such as Mr. Maison at Harvard Management, remember the rosy forecasts for computer-aided engineering and design systems. A few companies have done well in that field, but it was far from a bonanza for investors. "I look at the [computer-aided publishing] market with caution," he says.

# The Plantation Play

As commodities rise, so do these Malaysian stocks.

By Patrick Smith

Kuala Lumpur, Malaysia

WHEN world commodity prices are in a lull, as they were until a year ago, no one wants much to do with the rubber and oil-palm estates that blanket vast tracts of this verdant nation. In times like those, Malaysians tend to view plantations as an unfortunate legacy of British colonial rule; investors begin to ask how quickly they can be turned into suburban sprawl.

When prices turn, however, as they have in recent months, it is a different story. The backbone of the Malaysian economy for almost a century, the plantation sector can bring the Kuala Lumpur Stock Exchange back to life with the suddenness of a tropical downpour.

Conservatively managed and almost completely debt-free — another legacy of the British — most of the planters can translate gains in the marketplace into bottom-line earnings with unusual efficiency. Not surprisingly, the sector has been the focus of the relentless buying — first by foreign fund managers, more recently by locals — that has driven the KLSE's composite index up some 140 pct in the past 12 months.

"If you're investing in Malaysia, you've got to have a weighting in the planters," says Stephen Davies, an analyst at Barclay de Zoete Weid. "Rightly or wrongly, this market is still perceived as a commodity play."

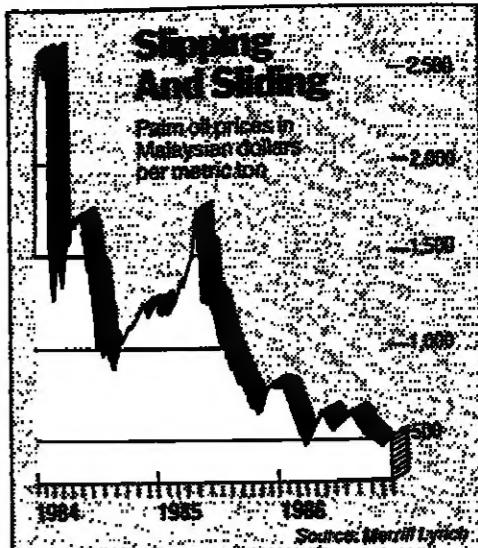
Much has changed among the plantations themselves since a British botanist first transplanted Brazilian rubber trees here 111 years ago. Oil palms, brought from Africa in 1917, are now the premier plantation crop. A decade ago, planters added cocoa to the mix.

Highly visible symbols of the old British domination, the plantations became the targets of a massive nationalization scheme launched in the mid-1970s. The resonant names remain — Harrison and Crossfield, Guthrie, Dunlop Estates, Sime Darby. But only two smaller groups have not changed hands: Rowe Evans, a collection of six separate plantations, and Sofica, a French-Belgian concern.

Just as important, Malaysia has struggled mightily over the past three decades to advance beyond the economic legacy of the colonial era. Manufacturing, of little consequence at independence in 1957, now rivals agriculture in economic significance. Both account for about a fifth of national output.

It is the recent revival of rubber and palm oil prices, however, that has driven the stock market forward. The price of rubber smoked sheets of benchmark grade, called RSS1, has risen 36 percent, to 2.45 Malaysian ringgit per kilogram. Palm oil is now fetching 780 ringgit per metric tonne, compared with 440 ringgit last year.

For most leading plantations, both prices are now well above profitability levels. And in spite of traditional uncertainties — the challenge from synthetic rubber, for instance, or from other edible oils — most analysts expect prices to remain firm at least for the



rest of this year. Several weeks ago, the Kuala Lumpur Commodities Exchange forecast a palm oil price of 14,000 ringgit as the medium term.

"You're buying into an earnings recovery," a British broker in Singapore says. "And you're buying solid assets at the same time."

As in the market as a whole, however, foreign investors face the common problem of finding their way into stocks that are in short supply. Familiar with the terrain, some British brokers follow as many as two dozen of the 42 rubber and oil palm stocks listed on the KLSE. Most analysts say, however, that there are only three major planters — Harrison's Malaysian Plantations, Consolidated Plantations and Kuala Lumpur Kepong — that are large and liquid enough to provide for a significant amount of movement among overseas buyers.

Highlands and Lowlands, or Hi and Lo, is the most accessible of the second-tier listings. "But even that is not particularly marketable," says Mr. Davies, of Barclay de Zoete Weid.

In effect, the supply problem has created a two-tier market. While the exchanges overall price-to-earnings ratio is about 37, Harrison's has an historic P/E of 55, "Cons Plan" (the estate subsidiary of Sime Darby) sells at 45 times earnings and Kuala Lumpur Kepong is at 113.

Despite the lofty prices, foreign analysts continue to tell clients to hold plantation shares in any case, and perhaps buy when they can. Harrison's is renowned for its efficient management and for a healthy mix of rubber, palm oil and processing activities, such as oil refining and rubber processing.

Kuala Lumpur Kepong is favored because it is the one planter that has aggressively opened new acreage to expand into palm oil, rather than chopping down rubber trees to make way for the new crop. If there is softness anywhere, it is in Cons Plan, among the three, its prospective P/E is expected to rise.

Given the global inflation outlook, many investors are coming to view the planters as a store-of-value buy as much as a cyclical opportunity.

"The plantations are the first stocks you look at in this market," says Lee Siang Chin, chief executive director of Arab-Malaysian Securities Sdn. Bhd. "Where else in the world can you invest directly in commodities?"

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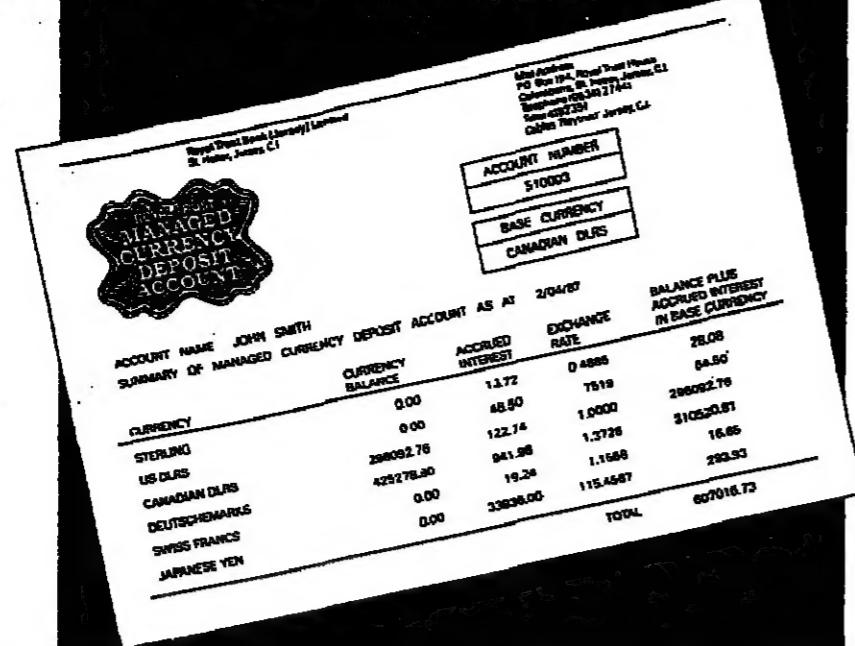
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## BOURSES

## Bought Out, or Sold Out?

Shareholders find it hard to challenge buyout terms.

By John C. Boland

**W**HEN companies say goodbye to public ownership, they do not always leave their stockholders smiling. Increasingly, management-led buyouts and similar transactions are being faulted as unfair to public shareholders, who may have suffered with a company through years of adversity only to see their shares bought away—sometimes against their will—as the company's fortunes begin to improve.

Last summer, Basco Corp., a manufacturer of hand tools and aluminum products, was taken private by a controlling investor group at \$17.50 a share, a transaction that valued stockholders' equity at \$138.5 million. Last month, the company's hand-tool unit was brought back to the public market; Basco Hand Tools Inc., representing about one-third of the old company, was priced at \$15.4 million.

If the remaining aluminum products group could be spun off at the same multiple of operating income, based on estimates in 1986 proxy material, the two units would have a combined value of \$470 million—more than three times what stockholders got a year ago.

In October, the controlling family at Foodarama Supermarkets asked minority shareholders to sell their stock back at about \$20 a share, approximately the value of its tangible net assets and three times cash flow. After a disputed vote, a shareholder group won a temporary restraining order blocking the deal.

A few months ago, the giant CSX Corp. forcibly bought out the last handful of public stockholders of its Baltimore and Ohio Railroad subsidiary at about one-third of book value. Lawsuits challenging the transaction were dismissed. They had charged that the deal was unfair, fraudulent, and a breach of the majority holder's fiduciary duty. Several shareholder groups have filed for an outside appraisal of B&O assets under Maryland law.

While companies of all sizes get taken private—offers have surfaced in recent months for Crazy Eddie Inc. and Revlon—investors in small, obscure companies may be the most vulnerable to unfair treatment. For an individual holding a few hundred shares of a low-priced stock, the cost of filing suit or seeking appraisal, which is available under most state laws, is often prohibitive.

"The problem is, how do I get a group together and minimize the expense to shareholders?" says Norm Oremland, a vice president at Legg Mason Wood Walker Inc., whose clients held B&O stock and bonds. Companies planning buyouts may move



Nate Kohn

quickly and seldom volunteer shareholder lists to dissidents.

Nor can investors expect much help from the Securities and Exchange Commission. "Questions about the fairness of price or terms would be matters of state law, over which the SEC does not have jurisdiction," says Bonnie M. Westbrook, director of the agency's Consumer Affairs Office. "Basically, the commission's role is to insure that there has been full disclosure in the prospectus material." Richard E. Baltz, an attorney in the SEC's Office of Investor Protection, said that a prospectus could admit "that the price is not fair to shareholders, and it would satisfy our requirements."

Investors who have sought SEC help against forced buyouts report little support. Marc H. Franklin, a broker with Bernstein Eichler, Hill Richards Inc., in Palm Desert, California, filed suit against the Foodarama deal and estimates his legal costs at almost \$200,000. "We tried the SEC," he says. "They said they just weren't interested."

Securities lawyers argue, however, that a transaction can be so unfair as to constitute fraud under the securities acts, even when the terms have been fully disclosed. This is because controlling investors, who are often in a position to manipulate shareholders, owe a fiduciary duty to minority shareholders.

J. Wallace Bader, a White Plains, New York, specialist in securities litigation, represents a number of the larger holders of B&O stock. He notes that buyers and sellers can have very different ideas about the value of a particular company. CSX initially put the value of the B&O common stock at \$11.5 billion, or one-third of the stated book value of \$34. Subsequently, the company raised the price to \$17.50.

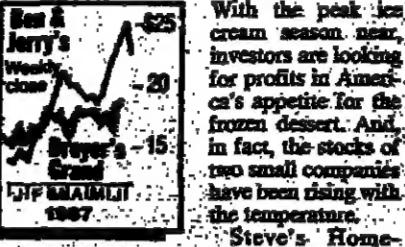
**N**either figure represents much more than half the price at which B&O traded in the over-the-counter market last November; investors had bid up the price in anticipation of a buyout closer to book value. When the terms were announced, B&O's 4 1/2 percent bonds of 2010, due convertible into 10 common shares, plunged \$500 in one day, to \$1,600. They later sank below \$1,300.

Mr. Bader argues that the B&O is worth more than stated book value, not less. The company's "whole set of facts," he said, "is to 25 to 30 of them, out of an estimated 1,800 or 1,850, have dropped" since the deal was announced, he said.

An opinion presented by Morgan Stanley & Co. found a price of one-third of book value to be fair. But Mr. Bader said that most mid-sized traded in the market at about half book value, including the B&O's owner, CSX.

"Anybody can buy a frozen dessert," says one B&O holder who had done volunteer work and who asked not to be named. "You tell us which side we're representing, and we would give you a study table top." © 1987 The New York Times

## Ice Cream: The Scoop



## COLLECTING

## Zowie! The Craze For Comics

By Alice Oshins

WITH Impressionist and Old Master paintings going in the hundreds of millions of dollars and more, it didn't seem like such a big deal. Still, when Christie's in New York auctioned off two comic book covers with the popular Disney characters Donald Duck and Daisy for \$100 last month, it confirmed anew the craze for comic books.

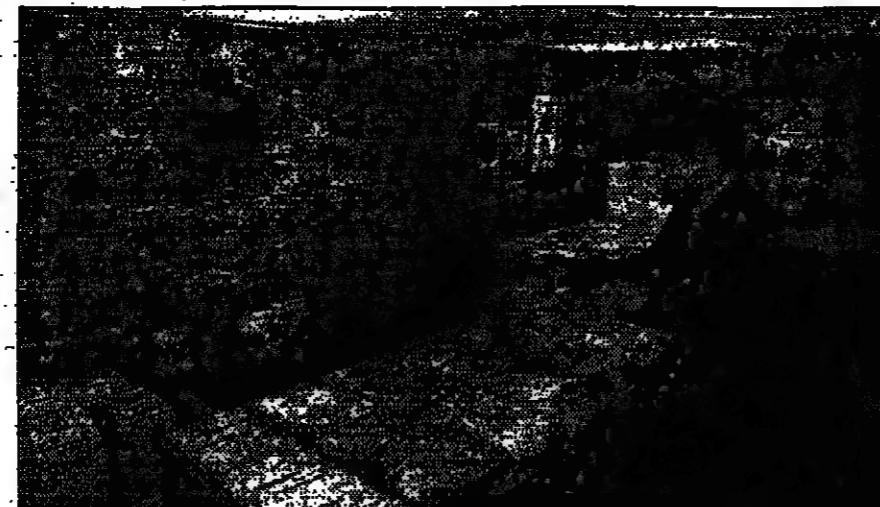
The likes of Spider-Man and the Fantastic Four, once consigned to dusty attics, or worse, tossed on the trash heap, are finding their ways into the hands of a growing band of collectors. "Few of the comic book items range in the thousands, but there are many in the hundreds of dollars," acknowledges Dame Hawkes of Sotheby's. In 1984, four pieces of the original Superman comic were auctioned at Sotheby's for \$800.

"What makes this whole market tick is nostalgia," explains Robert M. Overstreet, whose Overstreet Comic Book Price Guide serves as a barometer of the market. "People want to have what they read as a kid and enjoyed so much. Those characters were our heroes."

Back in 1960, when Mr. Overstreet began publishing the guide, he could count no more than 300 collectors. He estimates that the number has grown to 400,000, about four times its publication's circulation. "The market is getting more and more valuable," he says. "People can definitely make money in this market."

Don Thompson, publisher of the weekly Comic Book Buyers Guide, based in Iola, Wisconsin, calls it "a clear case of supply and demand."

But, as with all collectibles, some items are in more demand than others. The so-called Golden Age comic books, the blue chips of the industry, are appreciating at annual rates of 10 to 30 percent. Golden Age refers to the early years of comic books between 1938 and



Browsing at Manhattan's Forbidden Planet store. AP Wirephoto

the early 1950's when the most popular characters originated.

A copy of the first issue of Action Comics, for instance, with the first appearance of Superman, commands \$25,000 in mint condition, a 17 percent increase from 1986 prices.

"Everyone loves Superman," says Ms. Hawkes of Sotheby's.

Few of the Golden Age comic books, however, survived the trash bin, the wartime paper shortage, and with inferior quality ink and paper, the daily wear and tear.

Some Age comic books, published in the early 1960's, also carry a sizable pricing. The comics are known to portray superheroes with a more emotional, human side. Titles such as "The Amazing Spider-Man" fetch as much as \$300, and the first issue in the "Fantastic Four" series commands up to \$1,250.

While the number in a series is crucial, it is not the only factor determining a comic's value.

One of the complexities collectors soon discover is that not all stories are continuous and start with number one. For instance, "Captain America" began in early 1960's but was numbered 100 because it traced its first issue back to 1940's comic books where the character originally appeared.

The story line is another factor. Prices are higher for issues that chronicle a turning point in a popular character's lifetime. The issue in which Batman and Superman discover each other's true identities sells for \$350, twice the price of the issues preceding it.

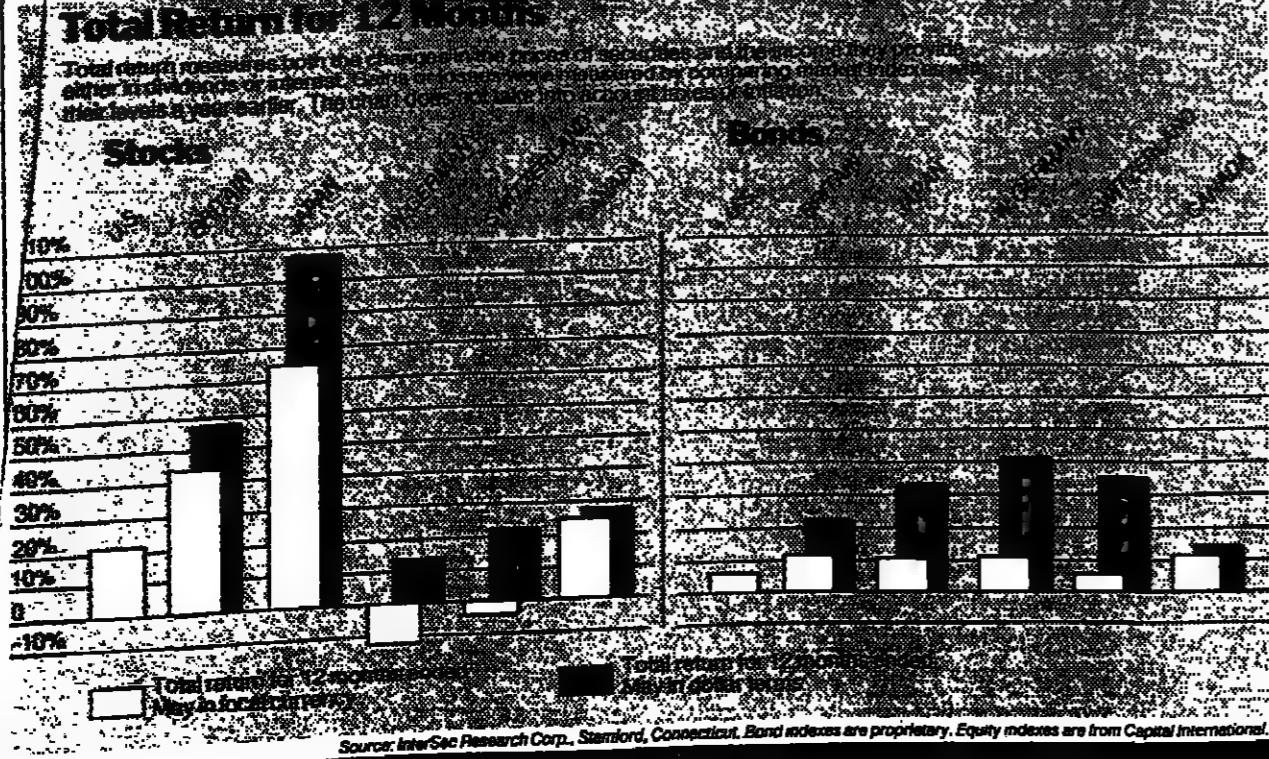
## STRATEGY

## Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in June.

|  | Percent Gain | Price June 30 |                       | Percent Loss | Price June 30 |
|--|--------------|---------------|-----------------------|--------------|---------------|
| <b>New York Stock Exchange:</b>                                    |              |               |                       |              |               |
| Compiled by Media General Financial Services. Prices in dollars    |              |               |                       |              |               |
| Reichhold Chemicals  | 68           | 80.75         | AGS Computers         | 21           | 16.75         |
| First Cities Industries  | 65           | 13.38         | Burger King           | 21           | 15.88         |
| JWT Group Inc.   | 56           | 55.13         | Allied Products       | 19           | 26.63         |
| Diamond Bathubs  | 56           | 25.00         | Learner Inc.          | 19           | 12.63         |
| Keystone Consol. Ind.  | 47           | 24.00         | Computer Task Group   | 18           | 13.13         |
| ACCO World   | 41           | 28.50         | PACO Pharmaceutical   | 17           | 16.88         |
| Kidde Inc.   | 48           | 48.25         | Essex Chemical        | 17           | 25.25         |
| Pier 1 Imports Inc.  | 35           | 21.63         | Applied Magnetics     | 16           | 30.13         |
| Vaill Inc.   | 33           | 14.00         | Armadia               | 16           | 10.50         |
| Advanced Sys Inc.  | 32           | 25.00         | Computervision        | 16           | 15.00         |
| <b>American Stock Exchange:</b>                                    |              |               |                       |              |               |
| Clark Consolidated   | 55           | 17.25         | AJ&E                  | 26           | 16.00         |
| Adams-Russell Inc.   | 48           | 37.00         | Univ. Comm. Systems   | 23           | 10.13         |
| Alpha Industries   | 48           | 10.00         | MacGregor Sporting    | 21           | 10.63         |
| Transonic  | 48           | 30.50         | Amer. Israel Paper    | 18           | 22.75         |
| Alpine Group Inc.  | 44           | 19.38         | NECO Enterprises      | 15           | 21.00         |
| <b>Over the Counter:</b>   |              |               |                       |              |               |
| IVACO Industries   | 107          | 14.50         | Weyenberg Shoe Mfg.   | 51           | 45.00         |
| AIM Telephone Inc.   | 51           | 12.63         | Sci-Med Life System   | 44           | 11.00         |
| Argosystems Inc.   | 49           | 36.88         | Maxtor                | 40           | 19.25         |
| Business Men's Assur.  | 46           | 38.13         | Tech Data             | 30           | 11.13         |
| Champ. Parts Rebdrs.   | 40           | 10.88         | Digital Commun Assn.  | 29           | 32.50         |
| <b>London Stock Exchange:</b>                                      |              |               |                       |              |               |
| Compiled by Morgan Stanley Capital International. Prices in pence. |              |               |                       |              |               |
| Rothmans International   | 40           | 384           | Amstrad               | 23           | 173           |
| Kwik Save Discount   | 30           | 408           | British Aerospace     | 11           | 528           |
| Reed International   | 26           | 569           | Dee Corporation       | 11           | 223           |
| Schroders  | 28           | 1,250         | Willis Faber          | 9            | 408           |
| McAlpine (Alfred)  | 27           | 676           | British Airways       | 9            | 146           |
| BSR International  | 26           | 138           | Rolls-Royce           | 9            | 124           |
| LASMO  | 25           | 318           | British Telecom       | 8            | 287           |
| Tricentrol   | 23           | 114           | Boots                 | 7            | 289           |
| United Newspapers  | 23           | 551           | International Thomson | 7            | 640           |
| MEPC   | 22           | 572           | Storehouse            | 7            | 296           |
| <b>Tokyo Stock Exchange:</b>                                       |              |               |                       |              |               |
| Compiled by Morgan Stanley Capital International. Prices in yen.   |              |               |                       |              |               |
| Jucco  | 39           | 1,720         | Mitsui Real Estate    | 25           | 2,280         |
| Ustic  | 38           | 1,240         | Bank Yokohama         | 23           | 1,530         |
| Koishikoku Photo   | 37           | 890           | Yasuda Trust          | 21           | 2,240         |
| Citizen Watch  | 36           | 638           | Sumitomo Trust        | 21           | 3,920         |
| Soy  | 36           | 4,250         | Mitsubishi Trust      | 20           | 3,970         |
| Mitsubishi Petrochem   | 40           | 1,020         | Mitsui Trust          | 19           | 2,570         |
| Mits. Elect. Trading   | 31           | 2,690         | Tokyo Electric Power  | 18           | 6,340         |
| Pioneer Electronic   | 29           | 3,080         | Shokusan Jutaku Sogo  | 18           | 1,040         |
| Uts Industries   | 41           | 414           | Daiichi Kangyo Bank   | 18           | 3,100         |
| Kyukaku  | 39           | 2,320         | Taisei Corporation    | 18           | 1,020         |

## Total Returns for 1986



## Warrants: Bargains Abound

**T**HE TALK OF THE Euromarkets in recent weeks has been the glut of Japanese corporate bonds issued with warrants for common stock. While underwriters bemoan the influx of new issues, investors who are still positive about Japanese stocks have been finding bargains in the secondary market.

Typically, these equity-linked bonds carry lower coupons than conventional bonds, and the warrants, which are often traded separately from the bonds, are priced so that the investor pays a premium over the current stock price on conversion. But the \$10 billion of new offerings since the first of the year has driven up bond yields and pushed down the prices of the existing warrants of many big-name Japanese issuers to bargain levels.

"There are some fantastic values," says Si Lay Kee, who manages a Japanese warrant fund for Garmore Unit Trust Managers in London. Funds are about the only way that individuals can play this professional, over-the-counter market. A diversified fund portfolio also helps reduce the risks of these extremely volatile instruments.

A good example, he says, are warrants of Daimpion Ink & Chemicals, which were trading late last week at the equivalent of a 1 percent discount to the value of the underlying common stock. By some estimates, Daimpion Ink, which is currently bidding for control of Reichhold Chemicals of the United States, has about 30 percent of the world's industrial ink market.

Each warrant can be converted into 1,537 shares at 503 yen each. The stock was trading late last week at about 760 yen, with the warrant quoted at about \$2,500. Adding to the warrants' allure is the distant expiration date of August 1993.

William McBride

## FUNDS

## Tough Quarter For U.S. Funds

By Vartan G. Vartan

**A**FTER a strong first quarter, U.S. mutual funds generally disappointed investors in the second three months of the year.

Funds that invest in non-U.S. stocks and in natural resource shares were the only two sectors that managed to outperform the popular indexes. Gold funds turned from favor. Small-company growth funds and funds that invest in utility stocks also lost ground.

Bond funds fell particularly hard as interest rates escalated in April and May and the value of the dollar plummeted.

Of the 1,247 funds of all types tracked by Lipper Analytical Services, which monitors the fund industry, a total of 349, or 44 percent, in the second quarter showed negative returns. In the first quarter, only 10 out of 1,155 funds posted negative returns.

"Two months of a dismal bond market led individual investors to drive income and municipal bond net sales into negative numbers with massive redemptions and exchanges," said Claudia E. Mott, who analyzes mutual fund money flows for Prudential-Bache Securities.

Using data compiled by the Investment Company Institute, she said that bond funds of all types suffered a net overflow of \$29.9 billion in redemptions and exchanges between funds in April and May. In the same period, equity mutual funds enjoyed net new sales — gross sales minus redemptions — of \$6.4 billion.

By contrast, the year's opening quarter produced net sales of \$13.2 billion for stock funds and \$34.7 billion for bond funds. Last year, bond funds attracted 80.1 percent, or \$115.6 billion, of net money flowing into mutual funds.

Despite the flow of money into equity mutual funds in April and May, a choppy stock market inhibited their performance. On average, equity mutual funds showed a total return of only 1.93 percent in the latest three months.

The Dow Jones industrial average

## Top Ten

Based on total return in second quarter, assuming reinvestment of capital gains and dividends

|                      |         |
|----------------------|---------|
| Dreyfus Strat. Agg.  | +42.51% |
| Sherman, Dean Fund   | +31.94  |
| DFA United Kingdom   | +22.29  |
| DFA Japan Small Co.  | +21.86  |
| GT Japan Growth      | +20.23  |
| Nomura Pacific Basin | +18.98  |
| Equity Strategies    | +18.87  |
| Fieldley Sel. Energy | +18.32  |
| Newport Far East     | +18.14  |
| Templeton Foreign    | +13.70  |

Source: Lipper Analytical Services

had a return of 5.76 percent for the period, while Standard & Poor's 500-stock average returned 5.02 percent.

By contrast, between January and March the average general equity fund rose by 19.22 percent. In that period, the total return was 22.51 percent on the Dow and 21.35 percent on the S&P Index.

In the second quarter of 1987, international funds ranked as the best performing group. These funds, buoyed by the weakness of the dollar, showed an average gain of 7.79 percent.

In fact, international funds dominated the winner's circle for the five years ended June 30, 1987, a period when the S&P 500 gained 242.46 percent. The top performer was Merrill Lynch Pacific, which invests primarily in Japan. It was ahead 483.97 percent.

Natural resource funds, benefiting from the rise in crude oil prices, rose 5.79 percent as the second-best sector of funds in the latest quarter. But the gold-oriented funds produced a negative return of 2.10 percent, after sweeping ahead 49.40 percent in the first quarter, when it was the best-performing sector.

The top performer in the quarter, Dreyfus Strategic Aggressive Investing, gained 42.51 percent as a newcomer to the mutual fund survey.

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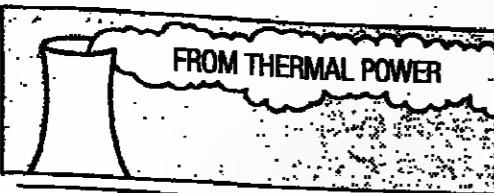
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MONDAY, JULY 13, 1987

Herald Tribune

## INTERNATIONAL BUSINESS/FINANCE



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## EUROBONDS

## U.S. Tax Status Confusion Leaves Markets Unmoved

By CARL GEWIRTZ  
*International Herald Tribune*

PARIS — The imbroglio over the tax status of U.S. corporate Eurobonds issued prior to mid-1984, which the Treasury late last week finally sought to resolve, did not spill over into the foreign exchange market or the current bond market during the week.

The dollar itself remained on the upswing. Initially fueled by massive central bank intervention at the end of the first quarter, it is now on a roll of its own that has taken it back to the highs seen last February.

Brendan Brown, economist at County NatWest, cites two factors for the continuing rise: the bursting of the speculative bubble in the Japanese stock and bond markets, which he says has made Japanese investors see greater advantage in higher yielding U.S. bonds; and the rise in oil prices as tensions build in the Gulf, which is taking a toll on the oil-vulnerable yen.

How sustainable the dollar is at current levels is an open question. The U.S. trade representative, Clayton K. Yeutter, said last week that U.S. exports are competitively priced at a dollar yen rate of around 150. But many analysts expect the real test will come in late fall, by which time it will become apparent whether domestic demand in Japan and West Germany is rising sufficiently to reduce trade frictions.

Analysts anticipate an immediate improvement in the U.S. merchandise trade deficit after news from Tokyo that its surplus is declining. But the trade news is not giving a clear signal whether the improvement is permanent.

For example, June exports of vehicles to the United States fell 17.8 percent, to \$2 billion. Is this simply a pause, as U.S. auto inventories pile up, or is it the beginning of a shift of Japanese auto production to plants in the United States?

Whatever the reason, the immediate impact of the reduced auto exports will be positive, enabling the United States to report a continued decline in the size of its trade deficit, and that will certainly further buoy the dollar.

**S**OMEWHAT CURIOUSLY, the dollar's strength has not had its usual echo on the U.S. government market. Bankers in Tokyo suggest this is because their investors are focusing less on the Treasury bond market and more on higher yielding paper, including issues of government agencies and long-term electric utility bonds.

This is really not significant. What matters is that the Japanese are continuing to buy dollar-denominated securities, apparently using yen rather than borrowed dollars, and thus boosting the dollar's exchange rate.

The dollar's good performance on the exchange market permitted a reopening of the straight Eurodollar bond sector. There had been no issues a week earlier, after the upsurge over the U.S. abrogation of its tax treaty with the Netherlands Antilles. In the previous three weeks, only \$375 million worth of Eurobonds had been floated.

Last week, five issues totaling \$730 million were offered, including three from U.S. issuers. The other two were the Council of Europe Settlement Fund and Caisse Centrale Desjardins du Québec, both seven-year issues, a maturity not in much favor now.

The U.S. issuers were led off by General Motors Acceptance Corp., which was the third largest corporate issuer of Eurobonds in 1985 and the second largest in 1986. It announced that it would not use the opportunity created by the Treasury's dispute with the Netherlands Antilles to call any of its 16 outstanding Eurobonds, totaling around \$2.1 billion, that could be affected.

In fact, not all those bonds could have been redeemed prematurely. The language in some of the documents was sufficiently strong to prohibit the early call since the Treasury had said early this month it would seek to restore the tax-exemption status. But in a number of issues, the wording was vague enough to have permitted redemption.

GMAC's announcement was received well by market participants, as were the terms on its new \$200 million issue, priced to yield 65 basis points, or hundredths of a percentage point, over the yield on comparably rated U.S. Treasury paper. Investors also currently prefer short-dated paper like the three-year maturity offered by GMAC.

Last week's other two U.S. issuers have no outstanding pre-1984 bonds. American Express, a single-A-rated credit, paid 98 basis points over the Treasury curve for \$150 million of five-year bonds, while Franklin Savings Association tapped the two-year sector for \$250 million.

Some issuers had indicated an intention to exploit the opportunity to call Eurobonds. What happens now following the U.S.

See EUROBONDS, Page 15

## Currency Rates

| Cross Rates   |        | July 10 |         |
|---------------|--------|---------|---------|
| Almsterdam    | 5      | 8.045   | 8.045   |
| Brisbane      | 12.024 | 12.0245 | 12.0245 |
| Buenos Aires  | 2.371  | 2.371   | 2.371   |
| London (10)   | 1.045  | 2.999   | 2.993   |
| Montreal      | 2.1825 | 2.1825  | 2.1825  |
| New York (10) | 1.025  | 1.025   | 1.025   |
| Paris         | 1.125  | 1.125   | 1.125   |
| Vienna        | 1.285  | 1.285   | 1.285   |
| Tokyo         | 1.259  | 1.259   | 1.259   |
| Tokyo (10)    | 1.259  | 1.259   | 1.259   |
| U.S. (10)     | 1.259  | 1.259   | 1.259   |

Figures in London and Zurich rates in other European centers. New York rates as of 4 P.M. (a) Commercial firms (b) Amounts needed to buy and pay (c) Amounts needed to buy and pay in dollars (d) Units of 100 (e) Units of 1,000 (f) Units of 10,000 (g) not quoted (h) not available (i) To buy one pound: \$12.5142

Other Dollar Values

| Currency per U.S. dollar | July 10 | Currency per U.S. dollar | July 10 |
|--------------------------|---------|--------------------------|---------|
| Austria, central         | 1.8475  | U.S. dollar              | 1.8475  |
| Austria, 3               | 1.8475  | U.S. dollar              | 1.8475  |
| Bahrain                  | 1.972   | U.S. dollar              | 1.972   |
| Bahrain, br.             | 20.15   | U.S. dollar              | 20.15   |
| Brazil, cruzeiro         | 44.85   | U.S. dollar              | 44.85   |
| Canada                   | 1.207   | U.S. dollar              | 1.207   |
| Chile, peso              | 1.255   | U.S. dollar              | 1.255   |
| China, yuan              | 4.993   | U.S. dollar              | 4.993   |
| Denmark, krone           | 1.2167  | U.S. dollar              | 1.2167  |
| Finland, markka          | 1.2167  | U.S. dollar              | 1.2167  |
| France, franc            | 1.1118  | U.S. dollar              | 1.1118  |

Figures in London and Zurich rates in other European centers. New York rates as of 4 P.M. (a) Commercial firms (b) Amounts needed to buy and pay (c) Amounts needed to buy and pay in dollars (d) Units of 100 (e) Units of 1,000 (f) Units of 10,000 (g) not quoted (h) not available (i) To buy one pound: \$12.5142

## Last Week's Markets

All figures are as of close of trading Friday

| Stock Indexes      |                                    | Money Rates |        |
|--------------------|------------------------------------|-------------|--------|
| United States (10) | July 10                            | July 3      | July 3 |
| DJ Indust.         | 2,655.99                           | 2,647.70    | +0.7%  |
| DJ Util.           | 206.36                             | 205.09      | +0.6%  |
| DJ Trans.          | 1,025.56                           | 1,024.63    | +0.1%  |
| S & P 100          | 308.38                             | 305.43      | +0.5%  |
| S & P 500          | 3,593.92                           | 3,555.04    | +1.2%  |
| S & P Ind.         | 173.57                             | 171.53      | +1.0%  |
| NYSE Cr.           |                                    |             |        |
| British            | 2,262.00                           | 2,258.10    | +2.2%  |
| FTSE 100           | 1,848.80                           | 1,818.50    | +2.7%  |
| France             | 3,207.21                           | 3,208.84    | -0.05% |
| Nikkei 225         | 24,025.99                          | 24,455.48   | +1.5%  |
| West Germany       | 1,893.40                           | 1,892.40    | +0.04% |
| Commerce           | 1,893.40                           | 1,892.40    | +0.04% |
| Hong Kong          | 3,207.21                           | 3,208.84    | -0.05% |
| Hong Kong          | 3,207.21                           | 3,208.84    | -0.05% |
| World              | 454.40                             | 462.40      | +1.2%  |
| ASX/CP             | 454.40                             | 462.40      | +1.2%  |
| World Index        | From Morgan Stanley Capital Int'l. |             |        |



## U.S. Farm-Machinery Industry: Bad to Worse

By Mark Potts  
*Washington Post Service*

glacial pace, industry officials and analysts say there is little hope in sight.

"We seem to be still looking for the bottom," said Robert Moglia, president of Ford New Holland.

The sharp drop in sales has triggered a classic industry shakeout, with some companies leaving the business and others joining forces. And while the image of a farmer working his field atop a tractor is a quintessentially American one, what is left of the farm equipment industry has largely moved abroad: about 85 percent of the farm machinery sold in the United States is made in Japan or Europe, up from 50 percent a decade ago.

The tractor-makers' nightmare began in 1979. Statistically, that was the best year the industry ever had: More than 300,000 tractors, combines and other pieces of equipment

were sold in the United States, with a total retail value of about \$12 billion.

By year's end, interest rates had started a climb that pushed the cost of borrowing money into double digits. With low crop prices and declining grain exports, the rates put a sharp squeeze on farmers. Scrapping to reduce costs, farmers cut down on the one true extravagance many of them allowed themselves: the purchase of fancy new equipment every year or two.

Farmers kept tractors longer, repaired them and all but stopped buying new equipment. The steady slide in sales reduced the number of units sold to 146,000 by last year, only \$4.5 billion at retail.

Hardest hit was the high end of the market:

See TRACTORS, Page 17

## Argentina Plans Austerity to Win New IMF Loans

Compiled by Our Staff From Dispatches

BUENOS AIRES — Argentina plans a drastic austerity program as part of a proposed agreement with the International Monetary Fund that would give it \$1.4 billion in new standby credits, according to the government.

The draft agreement became possible after further progress was made toward the arrangement of new loans from Argentina's 360 creditor banks.

According to the text of the accord published Saturday by the government, the austerity plan calls for increases in tax revenues, higher interest rates and the elimination of import duties on a variety of goods.

On Friday, the IMF had approved a \$650 million loan to Argentina as compensation for a drop in exports.

It gave that approval after Argentina's committee of creditor banks announced that it had made "substantial further progress" in arranging a new loan package of \$1.95 billion.

William R. Rhodes, a Citicorp executive and chairman of the Bank Working Committee for Argentina, and Mario Brodersen, Argentina's treasury secretary, told the IMF that the agreement had received one of the fastest responses from banks to any package negoti-

## Brazil Prices Up By 26% in June

Compiled by Our Staff From Dispatches

RIO DE JANEIRO — Consumer prices rose a monthly record 26.05 percent in Brazil in June, bringing the year-on-year inflation rate to 283.04 percent, according to official figures.

The June increase, reported Friday by the government statistics institute, outstripped May's 23.21 percent gain.

Prices have soared following the collapse of the "Cruzado" anti-inflation plan, which included a freeze on most prices. In mid-June, the government introduced a 90-day wage and price freeze.

Since the debt crisis began in August 1982.

On June 25, the committee announced it had received 96 percent of the commitment, or \$1.84 billion, for the \$1.95 billion package.

The committee did not detail the further progress, but a spokesman for Citicorp said it could be assumed that the level had not reached 100 percent.

The IMF's managing director,

See AUSTERE, Page 15

## White House Stymied on Bank Efforts

By Mark Potts  
*Washington Post Service*

over the measure is evident. Top administration aides planned to meet Monday at the White House to discuss a veto recommendation.

Lobbyists say they are surprised at such planning over legislation that will not be voted on by the full Congress for at least a week.

The House legislation would do several things to rein in deregulation. First, it would shut down one of the Treasury's pet tools for promulgating financial deregulation, the so-called limited-service banks, or nonbank banks. This device let commercial companies enter the banking business.

The bill also halts several years of court and regulatory moves that

## Banks Will Let Bolivia Buy Back \$1 Billion in Debt at Bargain Rate

Compiled by Our Staff From Dispatches

SAN FRANCISCO — Bolivia and its creditor banks have signed an innovative agreement that allows the country to buy back its \$1 billion of foreign bank debt at a fraction of the loans' face value.

The pact is an amendment to a 1981 debt restructuring agreement. It gives Bolivia four months to offer to purchase some or all of its debt in a kind of auction in which the country can offer any price for its loans. If the banks reject the offer, Bolivia can raise it.

The agreement, signed Friday in New York, is believed to be the first of its kind in Latin America. Bolivia owes \$600 million in principal and \$400 million in interest to about 125 banks.

Luis Paz, an official in Bolivia's consulate in New York who was one of those involved in the debt talks, said: "Maybe we can buy our debt for \$60 million. It is better [for the creditors] to have \$60 million than nothing."

Donald Crowley, an analyst at Keefe, Bruyette & Woods Inc. in San Francisco, said the plan "breaks new ground" but could be done more easily with the size of Bolivia's than with a larger debtor.

## U.S. Treasury to Retain Part of Antilles Treaty

By Peter T. Kilbom  
*New York Times Service*

WASHINGTON — In an effort to quell an unexpected upsurge in the Eurobond market, the Treasury Department has retreated from part of its decision to cancel tax treaties with the Netherlands Antilles and Aruba by acting to prevent companies from redeeming their bonds.

The treaties have

**NASDAQ National Market**

OTC Consolidated trading for week ended Friday. Int. in

## Mutual Funds

Figures as of close of trading Friday  
July 10

## American Exchange Options

*Figures as of close of trading Friday.*

## New International Bond Issues

Compiled by Aimée Potter Hardouw

| Issuer   | Amount (millions) | Mat. | Coup. %  | Price   | Price and week  | Terms   |
|--|-------------------|------|----------|---------|---|---|
| <b>FLOATING RATE NOTES</b>   |                   |      |          |         |   |   |
| Daewoo   | \$175             | 1996 | 3/16 100 | —       | Over 6-month Libor. Redisable at par in 1993. Fees 7.6%.  |   |
| Société Concessionnaire Française du Tunnel Routier sous le Mont Blanc | Fr 450            | 1997 | 3/16 100 | 99.45   | Over 3-month Libor, unless this is 25% or more than French Paris interbank offered rate. In that case the coupon becomes 25 basis points over 3-month Libor. Callable in 1989 at par, and at every coupon date thereafter. Fr 200 million issued now and Fr 150 million reserved for an 18-month top. Fees 6.02%. |   |
| Manufacturers Hanover Australia  | Aus 125           | 1999 | 0.25     | 100.15  | 100.00  | Below the 3-month Australian treasury bill rate. Redisable at par at every coupon date. Fees 0.15%. Denominations \$400/100 million.  |
| National Bank of Canada  | Y11,000           | 1992 | 0.45     | 100     | —   | Below the Japanese prime lending rate, semiannually. Non-callable. Fees 0.45%. Denominations 10 million yen.  |
| <b>FIXED-COUPON</b>  |                   |      |          |         |   |   |
| American Brands  | \$150             | 1992 | 8%       | 100%    | 99.13   | Non-callable. Fees 1.6%.  |
| Crédit Agricole Desjardins du Québec                                   | \$30              | 1994 | 9%       | 101%    | —   | Non-callable. Fees 1.6%. Denominations \$100,000.   |
| Council of Europe Resettlement Fund                                    | \$100             | 1994 | 8%       | 101%    | 98.75   | Non-callable. Fees 1.6%.  |
| Franklin Savings Association   | \$250             | 1989 | 8%       | 100.93  | —   | Non-callable. Fees 1.6%.  |
| General Motors Acceptance Corp.  | \$200             | 1990 | 8%       | 101     | 99.50   | Non-callable. Fees 1.6%.  |
| Portugal   | DM 150            | 1992 | 5%       | 100     | 99.50   | Non-callable. Fees 2%.  |
| Portugal   | DM 150            | 1995 | 6%       | 100     | 98.60   | Non-callable. Fees 2.6%.  |
| European Investment Bank   | £ 100             | 1994 | 9%       | 101%    | 99.53   | Non-callable. Fees 1.6%.  |
| Ford Credit Funding  | £ 50              | 1992 | 9%       | 100%    | 99.63   | Non-callable. Fees 1.6%.  |
| Denmark  | DK 500            | 1992 | zero     | 61%     | 60.13   | Yield 10.85%. Non-callable. Proceeds DK 301.42 million. Fees 1.6%.  |
| Deutsche Bank Luxembourg   | DK 300            | 1993 | 10%      | 100%    | 99.73   | Non-callable. Fees 1.6%.  |
| World Bank   | DK 300            | 1994 | 30%      | 100%    | 99.73   | Non-callable. Fees 1.6%.  |
| AKZO   | CS 60             | 1990 | 9%       | 101%    | 99.25   | Non-callable. Fees 1.6%.  |
| Ford Credit Canada   | CS 100            | 1994 | 10       | 101%    | 99.50   | Non-callable. Fees 1.6%.  |
| National Bank Mortgage   | CS 75             | 1992 | 10       | 100%    | 98.50   | Non-callable. Fees 1.6%.  |
| Nordic Investment Bank   | CS 75             | 1992 | 10       | 101%    | 99.75   | Non-callable. Fees 1.6%.  |
| Bank of Nova Scotia  | Aus 50            | 1990 | 14%      | 101%    | 99.75   | Non-callable. Fees 1.6%.  |
| Council of Europe Resettlement Fund                                    | Aus 60            | 1992 | 14       | 101%    | 100.13  | Non-callable. Fees 2%.  |
| Deutsche Genossenschaftsbank Finance                                   | Aus 75            | 1990 | 14       | 101%    | 100.38  | Non-callable. Fees 1.6%.  |
| IBM Australia Credit   | Aus 60            | 1989 | 13%      | 101%    | 100.08  | Non-callable. Fees 1.6%.  |
| Landesbank Rheinland-Pfalz Finance                                     | Aus 50            | 1994 | 13%      | 101%    | 99.63   | Non-callable. Fees 2%.  |
| Toronto Dominion Australia   | Aus 50            | 1989 | 14%      | 101%    | 100.13  | Non-callable. Fees 1.6%.  |
| BP Capital   | NZ 75             | 1989 | 17%      | 101%    | 100.25  | Non-callable. Fees 1.6%.  |
| Swedish Export Credit  | NZ 50             | 1990 | 17%      | 101%    | 99.88   | Non-callable. Fees 1.6%.  |
| Aegon  | Y 13,650          | 1992 | 8%       | 101%    | —   | Coupon payable in New Zealand dollars, at an exchange rate of NZ 35 per dollar. Redemption at maturity will be 80% in yen and 20% in dollars. Non-callable. Fees 1.6%. Denominations 10 million yen.                                  |
| <b>EQUITY-LINKED</b>   |                   |      |          |         |   |   |
| C. Itoh  | \$500             | 1992 | 21%      | 100     | 97.00   | Non-callable. Each \$1,000 note with one warrant exercisable into company's shares of 717 yen per share and or 151.7 yen per dollar. Fees 2.6%. \$300 million issued in Europe and \$50 million in Asia.                              |
| Fuqua Industries   | \$75              | 2002 | open     | 100     | 98.75   | Coupon indicated at 6% to 2%. Convertible at an expected 20% to 24% premium. Fees 2.6%. Terms to be set July 10.  |
| Kirin Brewery  | \$500             | 1992 | open     | 100     | 99.00   | Coupon indicated at 2.6%. Non-callable. Each \$1,000 note with one warrant exercisable into company's shares of an expected 22% premium. Fees 2.6%. Terms to be set July 16.  |
| Mitsubishi Rayon   | \$100             | 1992 | open     | 100     | 97.00   | Coupon indicated at 2.6%. Non-callable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 22% premium. Fees 2.6%. Terms to be set July 15.  |
| Odakyu Electric Railway  | \$150             | 1992 | open     | 100     | 97.00   | Coupon indicated at 2.6%. Non-callable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 22% premium. Fees 2.6%. Terms to be set July 15.  |
| Onoda Cement   | \$100             | 1992 | 21%      | 100     | 97.25   | Non-callable. Each \$5,000 note with one warrant exercisable into company's shares of 733 yen per share and or 151.1 yen per dollar. Fees 2.6%.   |
| Sumitomo   | \$100             | 1992 | 21%      | 100     | 97.25   | Non-callable. Each \$5,000 note with one warrant exercisable into company's shares of 1,210 yen per share and or 149.80 yen per dollar. Fees 2.6%.  |
| Sumitomo Trust & Banking   | \$100             | 2002 | open     | 100     | 100.00  | Senior-laden coupon indicated at 1.6%. Coupon of 104 in 1990. Each \$5,000 note with one warrant exercisable into company's shares of an expected 5% premium. Fees 2.6%. Terms to be set July 16.                                     |
| Yasuda Fire & Marine Insurance   | \$150             | 1992 | open     | 100     | 98.00   | Coupon indicated at 2.6%. Non-callable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 22% premium. Fees 2.6%. \$100 million issued in Europe and \$50 million in Asia. Terms to be set July 16. |
| Bayer Capital  | DM 400            | 1997 | 6%       | 130     | 132.00  | Each DM 1,000 bond with two warrants exercisable into 4 company shares at DM 330 per share, a 3.65% premium. Fees 2.6%.   |
| Coles Myer Finance   | Aus 125           | 1997 | 9%       | 100     | 98.00   | Convertible at Aus 52.77 per share, a 20.15% premium. Fees 2.6%.  |
| <b>WARRANTS</b>  |                   |      |          |         |   |   |
| Citicorp Investment Bank   | 0.25              | 1989 | —        | \$281/4 | —   | Each warrant giving the right to buy \$500 of DM 1.82 per dollar.   |

## EUROBONDS: Markets Unmoved by Tax Imbroglio

(Continued from first finance page)

Treasury's late Friday announcement that the tax exemption will be maintained remains to be seen.

Those who had indicated an intention to use the loophole included American Medical, Bank of Boston, RJR Nabisco (formerly RJ Reynolds) and J.C. Penney. Caterpillar, which had indicated plans to call its zero coupon bonds, said it would not proceed to do so. Citicorp, another very large user of the market, also announced it had no intention of calling any of its debt.

The Treasury's reversal followed an appeal from the Association of International Bond Dealers, which called on the U.S. Treasury secretary, James A. Baker 3d, "to make a major policy statement emphasizing the concern of the Treasury for investors" who stand to lose money and to express "your personal opinion that further tax calls of bonds... would be unreasonable or inappropriate in view of the Treasury's proposal for corrective legislation."

The differences in wording in bond documents that permits some issuers to call bonds even though the tax may never be levied has proved to be an embarrassment to the leading underwriters. Lawyers who drew up the documents reject responsibility for the weakening in the wording of the call provisions over the years. The lawyers argue that their obligation is to the issuer, not the investors.

Underwriters concur and admit that in the rush to do business and in a competitive environment where, as one said, "we scratch eyes

out for 5 basis points," or .05 percent, no one pays much attention to protecting investors' interests.

"We're on a cliff stick negotiating with the client," the issuer said. "Knowing if we insist on wording that won't want him to take the business elsewhere," said one banker.

However, the International Primary Market Association, which groups the major Eurobond underwriters, is to meet in London on Monday to establish standardized wording on tax-call provisions in all future documents.

The proposed wording will contain two main elements: Bonds can only be called if an actual charge will be incurred because of a change in tax rules, and issuers must take all reasonable measures to avoid becoming subject to that tax.

The small print in bond documents contains a lot of boiler plate material — phrasings reproduced word for word in document after document. The small print covers three general areas: administration — the who, how, where and when of coupon and principal payments; the covenants — the ranking of debt; if coupon and/or principal cannot be paid; and tax call provisions.

The documentation officer at one bank, which is a commercial bank as well as an investment bank, complained about seeing covenants in bank loans much more stringent than the non-dollar currencies. Nevertheless, the Eurobond sector reopened with two new issues, from the European Investment Bank and Ford Credit.

It's difficult to argue with the borrower and with the other people

in the bank that the protection for the public should be at least as strong," this bank officer said, "unless you can show there is a good marketing reason that the sale of the public issue will suffer."

"But you can't say no one will buy this paper" because of its relatively weak wording, in part because investors don't read the documents, in part because a competing underwriter would jump at winning business by complying with wording sought by the issuer.

This official points out, for example, that so-called "plain vanilla" straight bonds nowadays rarely name a trustee. It is still standard practice only for debt that is subordinated or convertible into equity.

"Ten years ago," the banker said, "all Eurobonds had trustees" — institutions appointed to represent bondholders' legal rights. In event of default, it is the trustee who sues for repayment. Without a trustee, the anonymous holders of bearer Eurobonds would have to present and organize themselves to bring suit.

The trustee, the official said, has been cut out to save costs for the issuer, without a ripple of opposition.

Elsewhere in the market, there was a considerable amount of issuing activity but little buying. Bankers observed that as the dollar gains in value, investors lose interest in the non-dollar currencies. Nevertheless, the Eurobond sector reopened with two new issues, from the European Investment Bank and Ford Credit.

## 2 Big Credits Expected As Season Winds Down

By Carl Gwirtz  
International Herald Tribune

PARIS — Two large international credits, probably the last before the summer doldrums shutter the market, are expected to be announced this week.

British Airways will be coming to the market with a \$2 billion facility to finance the purchase of

Inspectorate International Ltd., a quality-control company, is seeking a \$150 million transferable revolving underwriting facility under the direction of Merrill Lynch.

The three-year facility will carry an annual fee of 2.25 basis points. Underwriters agree to take up any notes otherwise not sold at a cost of 2.25 basis points over Libor. Omni Holding Group of Switzerland, a privately held company, owns 66 percent of Inspectorate.

Merrill Lynch is also arranging a certificates-of-deposit program for Crediti Italiani and will be the sole dealer of this paper. The program, which includes issues of CDs in dollars and European currency units, has received a P-1, A-1-plus rating from the U.S. credit agencies.

BTI, which has been on the acquisition trail but failed in its recent unfriendly bid for a 50 percent stake in Pilkington Brothers, has named Bankers Trust to organize a £500 million, medium-term acquisition facility. In addition to this underwritten line of credit there will be a £300 million line extended on an uncommitted basis.

The underwritten portion includes a \$500 million credit for the U.S. subsidiary, BTI-Dunlop Inc. This has fueled speculation that the next acquisition target may be in the United States.

Industrial Credit & Investment Corp. of India, a government-owned institution providing long-term credit to domestic industries, is shopping for terms on a \$150-million credit with an option to issue Euro-commercial paper.

Reliance Premium Credit Corp. completed a \$160 million collateralized note issuance facility last week. The borrower is a company set up to buy receivables from Canarwii, an insurance premium lending company owned by Reliance of the United States.

Manufacturers Hanover Trust, which arranged the loan, says it will be the first collateralized notes to be issued in this market. The notes have been rated A-1.

The facility runs for five years and carries an annual facility fee of 1.75 basis points, or 0.175 percent. Underwriters are obliged to buy any notes that cannot otherwise be sold at a cost of 25 basis points over the London interbank offered rate.

Thailand will use the proceeds to redeem yen bonds sold in Tokyo on which it is now paying 8.4 percent.

## Japan's Mitsui Is Ranked As World Leader in Sales

The Associated Press

NEW YORK — Mitsui & Co., the Japanese trading company, has displaced Royal Dutch/Shell Group as the largest company outside the United States in terms of revenue, according to Forbes magazine.

Mitsui had revenue of \$31.8 billion in 1986. The dollar value of its sales was pushed up by the rise of the yen. Royal/Dutch/Shell, the oil giant based in Britain and the Netherlands, dropped from first place in 1985 to fifth place in 1986 because of falling oil prices.

General Motors Corp. is the biggest company in the world, with revenue, according to Forbes:

- Mitsui & Co., \$31.8 billion.
- Mitsubishi Corp., Japan, \$77.3 billion.
- C. Itoh & Co. Ltd., Japan, \$71.9 billion.
- Sumitomo Corp., Japan, \$65.1 billion.
- Royal Dutch/Shell Group, \$64.9 billion.
- Marubeni Corp., Japan, \$64.7 billion.
- Nippon Iwai Corp., Japan, \$42.9 billion.
- British Petroleum Co. PLC, Britain, \$39.9 billion.
- Nippon Telegraph & Telephone Corp., Japan, \$33.5 billion.
- Toyota Motor Corp., Japan, \$31.1 billion.

Railroad Alfonso said his government's goal of achieving 4 percent economic growth this year, adjusted for inflation, was not negotiable.

The new economic program will include an acceleration of the privatization of state industries, primarily petrochemicals, and will ease restrictions on the remittance of dividends and profits by foreign companies operating in Argentina.

Wage increases for the third quarter of 1987 will be limited to 5 percent per month, according to the proposed agreement.

Because of the debt crisis and a sharp deterioration in the balance of payments, the government also agreed to accelerate devaluations of the Argentine currency, the austral. In June, the austral was devalued by a total of 11 percent against the U.S. dollar.

The program also calls for the federal budget deficit to be reduced from



## BANKS: Congressional Vote Was Blow to White House's 6-Year Deregulatory Effort

(Continued from first finance page)  
necessary. The vote was a setback in a two-year Treasury effort to adequately recapitalize the fund.

The battle began in earnest earlier this year. The administration knew that the thrift fund was in bad trouble. But it also realized that key members of Congress, including the new Senate Banking Committee chairman, William Proxmire, and Representative Fernand J. St Germain, chairman of the House Banking Committee, would not stop at a simple bailout of the fund.

Both men had long wanted to ban limited-service banks and were likely to use the bailout legislation as a pretext for other banking measures. The Treasury began arguing for a bill that would recapitalize the failing fund but change no other banking laws.

That strategy had some success; the House of Representatives passed such a bill, but it provided for a maximum bailout of \$5 billion, much less than the \$15 billion recommended by the Treasury.

In the Senate, meanwhile, Mr. Proxmire was pushing for broader legislation. He, together with Paul A. Volcker, chairman of the Federal Reserve, had argued for years that if a nonbank bank were to lend large amounts of money to a large failing commercial parent, it could threaten the entire financial system. A Proxmire bill passed in March.

The two banking bills then had to be reconciled by a conference committee. The first key vote was over whether the House conference would consider the Senate's broader legislation. They did.

Numerous amendments were offered on June 30 to dilute the ban on nonbank banks. All failed.

The other business of the conference—a move to stop banks from underwriting new securities and the \$3.5 billion thrift rescue—was approved with relative ease.

In the end, the big banks, who wanted new underwriting, insurance and real estate powers, faced

Wall Street, real estate agents and

insurance agents. The big banks lost badly.

Small banks, who took on big companies such as Sears, Roebuck & Co., J.C. Penney and American Express Co. over the ban on limited-service banks, won by a hair.

The thrift industry wanted the bailout of the fund to be smaller than the administration suggested, realizing that it was committing future profits to any borrowing authority. It also believed that if the industry's troubles became serious enough, the Treasury would finance any bailout.

Many did not welcome the outcome, including banking experts

and scholars, who insist that to keep banks out of securities underwriting and to ban commercial companies from banking merely protects existing interests from further competition.

Whether the bill will become law is far from certain. Little serious opposition is expected in the House Rules Committee, which must now approve the bill, or in the full House or Senate. But Treasury sources say they are drafting a veto proposal to send to the White House, and the administration knows a veto is about all it has left to halt the bill.

There are strong arguments

against a veto. One is that it would send a dangerous signal to nervous thrift depositors. Since September, \$22 billion in deposits, excluding interest, has been withdrawn.

Another is that the Federal Deposit Insurance Corp. and some other segments of the administration favor the bill. Resolution of the thrift problem would reduce pressure to merge the FSLIC into the much healthier FDIC. Further, the bill removes the FDIC from the budgetary restraints and oversight of the White House Office of Management and Budget and gives it regulatory powers to deal with failing banks.



Laurent Rebours/The Associated Press

## Computers Superseding 'La Corbeille'

Traders gathering around the 19th-century trading pit at the Paris Bourse for one last time. The symbolic central enclosure, the "corbeille," or basket, was to be removed over the weekend to make room for a computerized trading system. The corbeille dates back to 1827, but Xavier Dupont, chairman of the stockbrokers association, said, "This isn't a loss and no one here is gloom about it."

## Greenspan Lists Possible Conflicts of Interest

By Nathaniel C. Nash  
New York Times Service

WASHINGTON — Alan Greenspan, President Ronald Reagan's nominee for chairman of the Federal Reserve Board, will not participate in regulatory decisions that directly affect J.P. Morgan & Co., according to a document Mr. Greenspan submitted to the White House and Congress.

The document, which has not been officially published, provides the fullest accounting to date of Mr. Greenspan's extensive consulting relationships. He listed his 10-year tenure as a director of Morgan and of its banking subsidiary, Morgan Guaranty Trust Co., as possible conflicts of interest, as well as his relationships with six other companies.

Morgan and other big banks are seeking entry into new underwriting businesses, and

regulatory experts have predicted further requests for expansion of the sphere in which banks may operate.

According to the document, Mr. Greenspan would not participate in decisions on applications from Morgan, but would discuss and vote on the great majority of applications by banks to enter new businesses and complete mergers.

Mr. Greenspan declined to discuss the document, a questionnaire completed by all presidential nominees listing educational, business and political background.

Congressional sources said that Mr. Greenspan's business relationships, which he developed through his New York economic consulting firm, Townsend-Greenspan & Co., should not preclude his appointment, but that Congress would look carefully at them.

Mr. Greenspan listed as other potential conflicts of interest Capital Cities-ABC Inc., Gen-

eral Foods Corp., Mobil Corp. and Pitman Co., all companies of which he is a director. He also listed deferred compensation agreements with Aluminum Co. of America and Automatic Data Processing Inc.

Mr. Greenspan's involvement in the private sector is in contrast to the departing chairman of the Federal Reserve, Paul A. Volcker, who had a long career in public service.

In answering how he would resolve potential conflicts of interest, Mr. Greenspan wrote, "I plan to sever all previous relationships and date a questionnaire completed by all presidential nominees listing educational, business and political background.

He indicated that he would excuse himself from any debate or vote on applications that Morgan files with the Federal Reserve to engage in new businesses or to acquire other banks. Two such applications are pending.

## TRACTORS: In U.S. Farm-Equipment Industry, Business Goes From Bad to Worse

(Continued from first finance page)  
big tractors with 100 horsepower or more and combines, the giant harvesting machines used by grain farmers.

The combine slide has been, if anything, more spectacular than the tractor crash. Selling for \$100,000 and up, these machines have found few buyers in recent years. Just 7,600 combines were sold last year, for instance, down from 32,000 in 1979. Combine sales this year are running 53 percent behind last year's levels.

Perhaps the most spectacular industry failure was Harvester, which lost more than \$3 billion in six years, underwent several restructurings and refinancings and narrowly missed bankruptcy. Only the relative health of its truck-making subsidiary kept it alive.

The company decided to cut its losses two years ago, selling its farm equipment operations to J. L. Case, a subsidiary of Texaco Inc. Harvester changed its name to Navistar International Corp. and carried on solely as a truck-maker.

Massey-Ferguson restructured. New Holland was sold by its corporate parent, Sperry Corp.

Allis-Chalmers sold its farm-equipment operations to a West German heavy-industry company, Klockner-Humboldt-Deutz AG, and attempted to struggle on making mining and industrial equipment before finally filing for protection from its creditors.

Even Deere, long the industry leader, was not immune. While it has weathered the downturn better than most, because of its size, financial strength and aggressive spending on product development and factory automation, it has reported losses in several quarters.

United Auto Workers strike against the company, beginning last autumn, ran for 163 days, causing Deere to lose some of \$331 million in two quarters.

The upheaval and consolidation among the farm equipment companies has drastically changed the look of the industry.

According to industry executives and analysts, that shift reflects market patterns more than problems in the U.S. industry. Europe is the world's largest market for me-

dium-size tractors, those with 40 to 100 horsepower. It is more economical to make such machines near the primary market and ship them to the United States.

Similarly, small tractors, of less than 40 horsepower, are most pop-

ular in Japan. All the small tractors sold in the United States are made in Japan by American companies with plants there or by Japanese companies that also sell the products in the United States.

The market for small tractors has been about the only good thing about the farm equipment business in the past few years. Its success has masked some of the industry's other problems, analysts say. U.S. sales of small tractors, which were mostly flat during the first years of the slump, have risen sharply in the past five years, to \$2,000 last year from \$2,000 in 1982.

The buyers of these machines,

marketing and manufacturing companies that we did 10 years ago," said Emmett Barker, president of the Farm and Industrial Equipment Institute, a Chicago-based trade group.

The industry has been recentered in another way: More manufacturing has shifted overseas. Although combined and large tractors are still made in the United States and Canada, most smaller equipment is made in Europe or Japan.

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